

GARRIGUES



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DE ECONOMÍA, COMERCIO
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ICEX

INVESTIN
SPAIN

**GUIDE TO
BUSINESS
IN SPAIN
2025**



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This guide was researched and written by Garrigues, on behalf of ICEX, on February 2025.

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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The 2025 Guide to Business in Spain is a document that summarizes the main regulatory aspects governing investments in Spain. This publication is useful not only for investors who are dealing with the Spanish regulatory system for the first time, but also for those who already have some prior knowledge and wish to learn more about the most important aspects of setting up and growing a company in Spain.

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ICEX

INVEST IN
SPAIN



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Spain: an attractive country for investment

Spain is in an outstanding position worldwide in terms of the importance of its economy: the 15th largest economy in the world by GDP, the 13th country most attractive for foreign direct investment (FDI), the 17th largest issuer of FDI and the 19th largest exporter of commercial services.

Spain has a modern economy based on knowledge, in which services represent over 73% 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 49 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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Spain is one of the most important economies in the world, ranking 15th in size and has an immense capacity to attract foreign investment (currently ranked 9th in terms of foreign direct investment)¹. 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 more than 2.6 billion 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 73%² 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.

¹ According to the 2024 A. T. K Kearney FDI Confidence Index.

² National Statistics Institute. 2024 Labor Force Survey.

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2. The country, its people and quality of life



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2.1 GEOGRAPHY, CLIMATE AND LIVING CONDITIONS

The Kingdom of Spain occupies an area of 506 thousand 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 2024 was roughly 49 million people, with a population density close to 97 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	3,416,771
Barcelona	1,702,547
Valencia	825,948
Seville	687,488
Zaragoza	686,986
Málaga	591,637
Murcia	474,617
Palma	431,521
Las Palmas de Gran Canaria	380,436
Bilbao	348,089

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

Source: Report on registered population of Spanish provincial capital cities at January 1, 2024. 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 (published in the fourth quarter of 2024). Spain's population is relatively young: 15% is under 16 years old, 65% is between the ages of 16 and 64, and only 20% is 65 and over, according to 2024 figures. As shown in Table 2, Spain has a diverse and multicultural population.

Table 2

FOREIGNERS RESIDENTS IN SPAIN BY CONTINENT OF ORIGIN		
	2023	2024*
Europe	3,694,900	3,844,002
America	1,285,731	1,377,856
Africa	1,193,468	1,242,728
Asia	522,015	545,737
Oceania	3,504	4,085
Unknown	11,982	13,402
Total	6,711,600	7,027,810

Source: Ministry of Inclusion, Social Security and Migrations³. *Data as of June 30, 2024.

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

Spain's labor force structure by economic sectors underwent significant changes some time ago, with an increase in the active population in the service sector and a decrease in the number of

workers employed in agriculture and industry. Today, the service 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 labor market in recent years, introducing a greater degree of flexibility in employment.

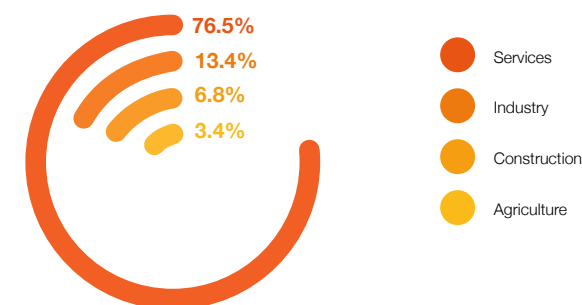
Like our neighboring countries, and as a result of the recent global crisis and the effects of the Covid-19 pandemic on the economy, Spain has launched an ambitious program of structural reform with a view to boosting economic growth and job creation.

In this context, the Spanish government, in keeping with the commitments entered into with 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 are aimed to introducing 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 the 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 468,100 jobs in 2024 compared with 2023.

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

Chart 1

EMPLOYED LABOR FORCE BY ECONOMIC SECTOR IN 2024



Source: National Statistics Institute.

Table 3

EVOLUTION OF EMPLOYED LABOR FORCE BY ECONOMIC SECTOR (Percentage)			
	2022	2023	2024
Agriculture	3.8	3.7	3.4
Industry	13.6	13.4	13.4
Construction	6.5	6.7	6.8
Services	76.1	76.2	76.5

Source: National Statistics Institute. Percentage distribution of employed persons by economic sector and province.

3 | <https://www.inclusion.gob.es/documents/3976286/3994787/infografias.htm?stock>

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2.3 POLITICAL INSTITUTIONS

Spain is a parliamentary monarchy. The King is the Head of State⁴ 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 branches⁵.

The Constitution of 1978 enshrined the fundamental civil rights and public freedoms as well as assigning legislative power to the *Cortes Generales* (Parliament)⁶, 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 Government⁷ 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 within Community's territory is vested. A Delegate appointed by the Central Government directs the Administration of the State in the Autonomous Community (Region), and coordinates 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.

⁴ https://www.casareal.es/ES/corona/Paginas/subhome_corona.aspx

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

⁶ <https://www.congreso.es/es/home>

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

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3. Spain and the European Union



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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 year⁸.

In July 2013, with the addition of Croatia, the number of countries in the European Union increased to 28 Member States⁹. 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. During this mandate, the Spanish Presidency promoted significant advances in the drive for the EU's reindustrialization, its strategic autonomy and the green transition.

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

⁸ http://europa.eu/european-union/law/treaties_es
https://european-union.europa.eu/principles-countries-history/history-eu_en
⁹ https://europa.eu/european-union/about-eu/countries_es

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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 benefited from EU funding from the Structural Funds and the Cohesion Fund and is one of the largest recipients 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 well-being of Europe in the long term.

On February 18, 2022, the Council of Ministers passed the bill for the reform of the 2011 Science Law, which aims to provide resources, rights and stability for R&D&I personnel, as well as ensuring 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 2024 financial year approved funding for projects of more than €330 million. In addition, within its aid and support programs, a large part of its investment commitments have been aimed at promoting key sectors of the economy such as the Bio, Health, Agrifood and energy industries.

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.

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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The government intends to continue its program of intensive investment in this area in the future. To this end, Spain closed 2024 with infrastructure investments totaling €10 billion.

In this sense, within the framework of the Strategy for Safe, Sustainable and Connected Mobility 2030, it plans to allocate more than 6,667 million euros from the Next Generation EU 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 17,660 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 is reflected in the entry of new operators in the high-speed sector, which has enabled an increasing number of passengers to use this type of transport, exceeding 35 million passengers in 2024 (a 14.4% increase over 2023).

Madrid currently has high-speed train connections to 50 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. The Spanish government is currently focusing its efforts on completing the Atlantic and Mediterranean corridors, tendering 128 contracts for €2.63 billion by 2024. The completion of both corridors, together with the possibility that 9 out of 10 citizens will be within 30 kilometers of a high-speed station, represents the two major commitments to high-speed rail.

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

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 France and Japan.

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, the United States (Dallas and Houston) and the Philippines, 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

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States and reinforcing the independence and impartiality of the administrators 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 €285 million support package designed by the Spanish government, with a time frame until December 31, 2025, 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 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 the airports of Madrid, Barcelona, Alicante-Elche and three aerodromes on the Canary Islands (one in Lanzarote and two in Tenerife). These investments form part of the investment plan undertaken by AENA in 2025, 2026 and the 2027-2031 five-year period (during which the investment is expected to be increased significantly). Specifically, AENA plans to invest €2.4 billion in Adolfo Suárez Madrid-Barajas Airport in the coming years, 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 addition, the following amounts have been allocated to other national airports: €700 million for the Barcelona-El Prat airport; €1 billion to extend the Valencia-Elche airport; and €1 billion to renovate the three Canary Islands airports mentioned above.

It is worth noting that in 2024, the number of passengers reached a record high of 309 million passengers, representing a 9.2% increase over 2023.

The 2025 Flight Plan approved by ENAIRE provides for investment in excess of €100 million a year, of which €111.6 million is 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 exceeded €700 million, 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. At the end of 2024, the preparations for the 2030 Flight Plan (2026-2030) were announced, aiming to further ENAIRE's modernization and transformation, consolidating its commitment to operational excellence.

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. Three major Spanish ports (Bay of Algeciras, Valencia and Barcelona) appear in the global Top 100 in container traffic¹⁰, and confirm the strategic role that Spain plays in the global maritime transport industry.

The reinforcement of short-distance maritime transport, both domestic and European, and the development of "motorways of the sea" 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, maritime connections between the Spanish cities Santander and Bilbao with the British ports of Plymouth and Portsmouth have been enabled.

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 project was approved in 2024, which aims to promote increased competitiveness and introduce pioneering regulations in the management of autonomous or unmanned ships.

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. Apart from that, competitiveness and an emphasis on renewable energies have allowed Spain to position itself as a global benchmark in the supply of new sustainable fuels for maritime transport. This is borne out by the agreement reached by Maersk and Cepsa with the aim of developing a facility in the Port of Huelva to produce green methanol from 2028 onwards, positioning Spain as a benchmark in the global production of renewable energy. This energy transition is also being promoted by the State Ports Authority, through which an investment of around €1 billion in European funds is being channeled for the period 2023-2028.

Spain is well equipped in terms of technological and industrial infrastructure, having seen a boom in technology parks in the leading industrial areas, as well as around universities and R&D centers. There are currently more than 50 fully operational technology parks¹¹ housing nearly 6,000 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.

¹⁰ <https://www.loydslist.com/one-hundred-container-ports-2024>

¹¹ Members of the Association of Science and Technology Parks in Spain.

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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.

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5. Economic structure

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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 2024, these two sectors represent more than 91% of the GDP. The contribution of agriculture has slightly increased and currently represents 2.79% of the total GDP (Table 4).

Table 4

STRUCTURE OF GDP (% OF TOTAL, CURRENT PRICES)			
Sector	2022	2023	2024
Agriculture and fishery	2.53%	2.74%	2.79%
Industry	17.12%	16.13%	15.56%
Construction	5.84%	5.91%	5.81%
Services	74.51%	75.22%	75.84%

Source: National Statistics Institute.

During 2024, GDP continued its growth trend (despite the negative impact of the “DANA” weather event on economic activity in certain regions of the country), thanks to the strength of domestic demand and, in particular, both public and private consumption. In this regard, it is worth noting that no substantial changes are expected in the pace of global economic activity, although the global context is surrounded by great uncertainty, mainly associated with ongoing geopolitical tensions.

The change in the quarter-on-quarter GDP growth rate in the fourth quarter of 2024 amounted to 0.8%¹² compared with the previous quarter in terms of volume, bringing year-on-year GDP growth to 3.2%¹³. Estimates made by the Bank of Spain indicate that the GDP growth rate is expected to remain at similar levels throughout 2025.

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

Table 5

GROWTH FOR OECD COUNTRIES (PERCENTAGES)			
GDP Growth			
	2022	2023	2024
EU countries			
Germany	1.9	-0.1	-0.2
France	2.6	0.9	1.2
Italy	4.0	0.7	0.5
United Kingdom	4.2	0.3	0.8
Spain	5.5	2.5	3.2
Other countries			
United States	2.1	2.5	2.8
Japan	1.1	1.6	0.1
Total Euro Zone	3.5	0.5	0.8
Total OECD	2.3	1.2	1.7

Source: OECD-Gross domestic product Quarterly National.

¹² National Institute of Statistics. Quarterly National Accounts of Spain. Principal Aggregates. Fourth Quarter of 2024.

¹³ National Institute of Statistics. Quarterly National Accounts of Spain. Principal Aggregates. Fourth Quarter of 2024.

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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, and compounded by the invasion of Ukraine in 2022. However, throughout 2023, there was a slowdown in the inflation rate, which consolidated in 2024 (returning to pre-2022 values).

Specifically, the inflation rate in 2024 was 2.8%. This trend is mainly due to the increase in fuel prices, compared to the decrease in the previous year. Also, although to a lesser extent, it has impacted leisure and culture prices, which are up more than in December 2023.

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6. Domestic market

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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 49 million people with a per capita income in 2023 of €30,968 according to data from the National Statistics Institute, with additional demand coming from nearly 94 million tourists who visited the country in 2024¹⁴. This marked a 10.1% increase in tourist numbers with respect to 2023.

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	2024
Agriculture and fisheries	-20.20	6.41	8.96
Industry	2.55	0.66	2.90
Construction	9.10	2.16	1.91
Services	8.58	3.36	3.77
Demand components	2022	2023	2024
Private consumption	3.79	3.33	4.04
Public consumption	0.55	5.23	4.89
Gross fixed capital formation	3.29	2.14	2.30
National demand	3.99	1.69	2.91
Exports of goods and services	14.41	3.02	2.90
Imports of goods and services	7.92	0.29	1.99

Source: National Institute of Statistics. Data not adjusted for seasonality and calendar. Annual variation.

¹⁴ Tourism Border Movements (FRONTUR) statistics. Data at December 2024. National Statistics Institute.

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7. Foreign trade and investment



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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 2024, Spain was ranked 19th in the world as an exporter and 15th as an importer, while in the trading of services it occupies 11th place as an exporter and 20th place as an importer¹⁵.

Spanish exports and imports of goods account for 1.8% and 1.9%, respectively, of the worldwide total, while Spanish exports and imports of services represent 2.5% and 1.3% respectively.

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

As would be expected, the countries of the EU are Spain's main trading partners. Accordingly, during 2024¹⁶, Spanish exports to the European Union accounted for 61.8% of total exports and sales to the Eurozone represented 53.6%. Imports from the European Union accounted for 48.8% of the total and those from the Eurozone represented 41.3%.

Specifically, Spain's leading trade partners are France and Germany. Outside the EU, Asia is consolidating its position as Spain's main non-EU trading partner in terms of imports.

Table 7

DISTRIBUTION OF EXPORTS AND IMPORTS 2024 (as a % of total)			
Exports		Imports	
Capital goods	19.4%	Capital goods	22.6%
Food	18.7%	Chemical products	16.0%
Chemical products	16.3%	Energy products	13.8%
Automobile industry	13.8%	Food	12.7%
Semi-manufactured non-chemical products	9.7%	Consumer goods	11.1%
Consumer goods	8.9%	Automobile industry	10.5%
Energy products	7.3%	Semi-manufactured non-chemical products	7.2%
Raw materials	2.2%	Raw materials	2.9%
Other goods	2.1%	Durable consumer goods	2.6%
Durable consumer goods	1.5%	Other goods	0.6%

Source: Ministry of Industry and Tourism. January – December 2024 data.

¹⁵ WTO "Global Trade Outlook and Statistics 2024".

¹⁶ Annual data published by the Spanish Ministry of Economy, Trade and Enterprise. January – December 2024 data.

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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 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 (mainly to North America and South America). In this regard, Spain's share of total exports to the EU has dropped from 70.1% in 2007 to 61.8% of total exports in 2024.

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

Specifically, Spain is the 13th largest sovereign country recipient of foreign investment worldwide in terms of stock (and 6th in the EU) with USD 897,268 million. Spain is the 17th largest source of FDI in terms of stock, with a volume equal to USD 630,189 million in 2023¹⁷.

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 million 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, €50 million in the case of FIEX and with no ceiling in the case of FIEM (except for certain financing lines for small and medium-sized companies, which is set at €10 million).

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 in 2023 and which has been allocated €2 billion. Its first investments totaling more than €200 million were approved in 2024.

In this effort to boost the entrepreneurial ecosystem and also as part of the Addendum to the Recovery, Transformation and Resilience Plan, the Ministry of Inclusion, Social Security and Migration has launched the Social Impact Fund (FIS), which aims to support impact investment in Spain (specifically, to respond to social and environmental challenges) and strengthen the social entrepreneurship ecosystem. This fund, endowed with €400 million, approved its first operations totaling €50 million at the end of 2024.

Lastly, among the financing lines offered by the Official Credit Institute (ICO), it is worth highlighting the "ICO Recovery and Resilience Mechanism (RRM) Companies and Entrepreneurs Line", which is one of the financing instruments deployed by the ICO in the second phase of the Recovery, Transformation and Resilience Plan to channel NextGenerationEU Funds.

This is a line aimed at investment projects undertaken by self-employed persons and private companies, with a tranche aimed at companies in the tourism sector, and a tranche for projects of public and private universities to contribute to their digitization. This line of financing is endowed with a total of €8.15 billion.

In addition, also at the national level, the ICO finances, through the ICO Green RRM Line, projects of companies of all sizes and households with the aim of boosting the green transition. Specifically, among other purposes, it focuses on the development of sustainable transport projects, energy efficiency, renewable energies, decarbonization of industry, water management, circular economy and adaptation to climate change. The ICO Green Line will have €22 billion at its disposal.

Among its international credit lines for entrepreneurs and self-employed individuals approved for 2025, the "ICO Line-International 2025" and the "ICO Line-Exporters 2025" stand out.

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.

¹⁷ | According to the UNCTAD "World Investment Report 2024".

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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)		
	2023	2024
I. Current account	39,772	48,378
Goods and services	58,836	68,444
Primary and secondary income	-19,064	-20,066
II. Capital Account	16,218	16,572
III. Financial Account	59,782	58,474
Total (excluding Bank of Spain)	-54,580	106,935
Direct investment	-2,926	20,766
Portfolio investment	-17,541	5,127
Other investment	-29,950	97,189
Financial derivatives	-4,162	-16,148
Bank of Spain	114,362	-48,461
Reserves	6,000	1,325
Claims with the Eurosystem	119,257	-37,745
Other net assets	-10,896	-12,042

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 2023 and 2024.

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8. Legislation on foreign investment and exchange control



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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.

In 2023, 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 after to the Directorate-General for International Trade and

Investments, once the investment has been made¹⁸. 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 generally not the investors themselves, 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 in listed companies (the last case must be reported to the National Securities Market Commission).

¹⁸ The contents and instructions to complete each declaration can be found at the following link: [Guía Explicativa Régimen Declaración Inversiones Exteriores](https://comercio.gob.es/es-es/Paginas/Guia-Explicativa-Régimen-Declaración-Inversiones-Exteriores) and [Portal del Ministerio de Economía, Comercio y Empresa](https://comercio.gob.es/es-es/Paginas/Portal-del-Ministerio-de-Economía-Comercio-y-Empresa)

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://comercio.gob.es/es-es/Paginas/Index.aspx>, 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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- 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	
Investors¹⁹	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.
Regulated investments²⁰. Reporting obligations	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. ²¹
Parties subject to obligation	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.
	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.
	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).
Reporting rules	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 Economy, Trade and Enterprise.
	Investments from tax havens must be reported before and after the event. However, the following cases shall be excluded from the prior declaration:
	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.
	Where the foreign interest does not exceed 50% of the capital stock of the Spanish company in which the investment is made. Acquisitions of foreign investments in Spain as a result of <i>inter vivos</i> transfers for no consideration or <i>mortis causa</i> transmissions. 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.

¹⁹ 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.

²⁰ 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.

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

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8.1.2 MONITORING OF FOREIGN INVESTMENTS

The Directorate-General for International Trade and Investments (DGCI)²² 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).
 - o Company name
 - o Address

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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 residents 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 Spain²³.

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 million 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 million or more but less than €300 million, 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 million, 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 million, 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 of funds) must submit an annual report to the Investment Register on the evolution of the investment in the following cases:

²³ 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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- When branches in Spain of non-resident companies have an endowment or net worth of more than €3 million.
- 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 million 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 million, 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:

- i. 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.
- ii. 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.
- iii. 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, or
- 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 technologies²⁴, key technologies for industrial leadership and capacity building²⁵, and technologies developed under programmes and projects of particular interest to Spain²⁶, 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 4th, 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.

²⁴ 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.

²⁵ 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.

²⁶ 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 millions 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



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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**)²⁷ 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 purposes²⁸.

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.

²⁷ 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 bylaw 18/2022 of 28 September on the creation and growth of companies.

²⁸ 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.

- a. 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 owner²⁹**. 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. Likewise, with the recent entry into force of Royal Decree 609/2023, of 11 July, creating the Central Register of Ultimate Beneficial Ownership and approving its Regulations, the Central Register of Ultimate Beneficial Ownership (**CRUBO**) has been created, which will require obligated entities to obtain the information on property ownership contained in the CRUBO³⁰, in addition to the verification of said real property ownership by means of the responsible declaration obtained from the client.

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.

²⁹ 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.

³⁰ Although the CRUBO is currently active, the initial procedure has not yet been set up for obliged entities to register with it and make recurring applications to the CRUBO in order to comply with the regulations on the prevention of money laundering and terrorist financing, although it is expected to be set up in the near future.

GARRIGUES



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This chapter describes the basic aspects of the main structures for investing in Spain, as well as the key formalities that a foreign investor must fulfill in order to set up or start-up each of them.

Setting up a business in Spain is simple. The type of business entities available are in keeping with those existing in other OECD countries and there is also a wide range of alternatives capable of meeting the needs of the different types of investors who wish to invest in or from Spain.

This chapter also examines how to open a branch, the pursuit of the activity directly by an individual entrepreneur as a “limited liability entrepreneur”, the formation of a joint venture with one or more enterprises already established in Spain, the acquisition of real estate, the sale and purchase of businesses; investment in venture capital firms, and distribution, agency, commission and franchising agreements.

Further, it should be noted that, ordinarily, there is also almost total liberalization of foreign investment and exchange control in Spain, in line with EU legislation. Despite this, in light of the global crisis triggered by Covid-19, Spain amended its laws governing the control of foreign investment from outside the European Union (EU) on March 17, 2020, through Royal Decree-Law 8/2020, by introducing the prior clearance rules provided for in article 7 bis of Law 19/2003.

Similarly, and with a view to mitigating the consequences of the economic impact of the pandemic, on November 17, 2020, Spain decided to extend, on a temporary basis, the protection established for certain investments made by residents of the EU and of European Free Trade Association (EFTA) countries through Royal Decree-Law 24/2020, the transitional rules of which have been re-established until December 31, 2026, by virtue of Royal Decree-Law 1/2025, of January 28, 2025, approving urgent economic, transport and social security measures and to address situations of vulnerability.

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This chapter takes a practical look at the main alternatives open to a foreign investor interested in establishing a business in Spain, as well as the main steps, costs and legal requirements involved.

Several alternatives are analyzed in this chapter, namely: the setting-up of a company, the opening of a branch, the pursuit of the activity directly by an individual entrepreneur and among the possible alternatives, this Guide highlights in particular the form of the “limited liability entrepreneur”, the formation of a joint venture with another or other enterprises already established in Spain, the acquisition of real estate, the sale and purchase of businesses, investment in venture capital firms, or distribution, agency, commission or franchising agreements.

The steps required to make the following types of investment are explained in this chapter:

- Setting up of a Spanish corporation or limited liability company and formation of a Spanish branch ([sections 4](#) and [6](#)).
- Pursuit of the activity directly by an individual entrepreneur under the form of the “limited liability entrepreneur” ([section 5](#)).
- Acquisition of shares in an existing Spanish company ([section 8.1](#)).
- Acquisition of real estate located in Spain ([section 8.2](#)).
- Acquisition of a business through sale/purchase or global transfer of assets and liabilities ([section 8.3](#)).
- Investment in venture capital firms ([section 8.4](#)).

Finally, this chapter contains a final section on dispute resolution in Spain, whether through court or arbitration proceedings, a real and effective alternative for the settlement of disputes.



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2. Different ways of doing business in Spain



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Various alternatives are open to the foreign investor once the decision to invest in Spain has been taken:

Each of these forms of doing business in Spain offer different advantages that must be balanced against the potential setbacks from a tax and legal standpoint.

WAYS OF DOING BUSINESS IN SPAIN

Creation of a Spanish company with its own legal personality	Spanish law provides for a variety of vehicles that can be used by foreign companies or individuals for investing in Spain. The most common forms used are the corporation (S.A.) and, principally, the limited liability company (S.L.).
Limited Liability Entrepreneur	Pursuit of the activity directly by the individual where certain requirements are met.
Branch or permanent establishment	Neither alternative has its own legal personality, meaning that their activity and legal liability will at all times be directly related to the parent company of the foreign investor.
Joint venture	Association with other businesses already established in Spain. It allows the parties to share risks and combine resources and expertise. A joint venture can be set up under Spanish law in a number of ways: • A Temporary Business Association (<i>Unión Temporal de Empresas</i> or <i>UTE</i>). • An Economic Interest Grouping (EIG) and a European EIG (EEIG). • Under a type of silent partnership arrangement peculiar to Spanish law (<i>cuenta en participación</i>) with one or more Spanish entrepreneurs. • Participating loans. • Joint ventures through Spanish corporations or limited liability companies.
Without setting up a business or entering into an association with existing business or establishing a physical center of operations in Spain	The alternatives include: • Signing a distribution agreement. • Operating through an agent. • Operating through commission agents. • Franchising.
Acquisitions	Acquisition of shares, real estate located in Spain or businesses.
Venture capital	Investment in venture capital entities.

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3. Tax identification number (NIF) and Foreigner identity number (NIE)



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The applicable Spanish legislation currently requires that any individual or legal entity with economic or professional interests in Spain, or involved in a relevant way for tax purposes, must hold a tax identification number (in the case of legal entities) or a foreigner identity number (for individuals). In particular, and among other cases, a NIF/NIE must be applied for when a foreign investor makes a direct investment in Spain or in the case of a shareholder or director of an entity resident in Spain or of a foreign entity's branch or permanent establishment located in Spain.

The following tables summarize the documentation and steps required to obtain (i) a NIE for individuals who are to be shareholders or directors of companies resident in Spain, tax and legal representatives of branches located in Spain, permanent

establishments or limited liability entrepreneurs, (ii) a NIF for legal entities that are to be shareholders or directors of companies resident in Spain or owners of a branch in Spain or permanent establishments, and (iii) the provisional and definitive NIF of the company resident in Spain that is to be set up.

3.1 NIE FOR INDIVIDUALS WHO ARE TO BE SHAREHOLDERS OR DIRECTORS OF COMPANIES RESIDENT IN SPAIN, TAX AND LEGAL REPRESENTATIVES OF A BRANCH IN SPAIN, PERMANENT ESTABLISHMENTS OR LIMITED LIABILITY ENTREPRENEURS

NIE (FOR INDIVIDUALS)				
Country of application	Where to submit application	Documentation	Cost	Decision period
Spain	Directorate-General of Police or at Immigration Offices or Police Stations.	1. Original and copy of Official Form (EX15). 2. Fee Form (790 Code 12) with proof of payment at the relevant bank. 3. If presented by the individual in question: original passport and copy of passport (EU citizens may submit an identity document). If the applicant is not an EU citizen, a copy must be made of all of the pages of the passport, including any blank pages. If the applicant is an EU citizen, the identification page of the passport will suffice.		
Abroad	Office of the Commissioner-General for Foreigners and Borders, through Spanish Consulates in the country of residence of the applicant corresponding to their place of residence.	4. If the application is made through a representative: i. A copy of the applicant's passport authenticated before a notary and legalized and, where appropriate, certified by apostille¹; The notary's stamp and signature must be on all pages of the copies of the passport. ii. Evidence that the representative has sufficient powers, duly translated (sworn translation) and authenticated and/or certified by apostille. iii. Provision of proof of the motive for the NIE application and indication, if applicable, of the name of the specific company. Submit a bound, stamped document, the contents of which cannot be altered/modified.	€9.84/10 (Form 790 ²).	1 week

¹ If a citizen of the European Union, a copy of the first page of the passport will suffice

² https://sede.policia.gob.es/Tasa790_012/

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3.2 NIF FOR LEGAL ENTITIES THAT ARE TO BE SHAREHOLDERS OR DIRECTORS OF COMPANIES RESIDENT IN SPAIN, OR OWNERS OF BRANCHES IN SPAIN OR PERMANENT ESTABLISHMENTS

NIF (FOREIGN COMPANY THAT IS TO BE SHAREHOLDER/DIRECTOR OF SPANISH COMPANY)

Country of application	Where to submit application	Documentation	Decision period
Spain	State Tax Agency or telematically.	- Form 030³ to obtain the instrumental NIE of the representatives in order to register them with the census, if applicable, at the Tax Agency (declaration of registration on the census of parties subject to tax obligations, change of address and/or change of personal particulars, box 109). The form must be signed (copies in PDF are not accepted). In cases where the representatives already have the NIE referred to in point 3.1 above, the representatives may be entered on the census by telematic means with the relevant authorization through the "Registration on the census of individuals with DNI or NIE by approved tax agents"³, on the Tax Agency's website and provided that the representative has an electronic certificate with such status. If another company is registered as the legal representative of the nonresident company, the NIF of the representative must be obtained beforehand, as well as, where applicable the NIE of its natural person representative. Prior documents required: - Certificate or original extract from the Commercial Registry of the company's domicile of residence, certified by apostille (or legalized by the Consulate, as applicable) and a sworn translation thereof, which must state the name, registered office, date of incorporation, capital stock and representative(s) (in any event, the party appearing as representative must be the signatory of form 036 to be filed subsequently). The certificate must be recent and the apostille not over 6 months old. - Photocopy of each representative's passport, national identity card or NIE. - Form 036⁴ to obtain the foreign entity's NIF (declaration of registration on, amendment to, or deregistration from the Census of Traders, Professionals and Withholding Agents, box 120), the original of which (copies in PDF are not accepted) must be signed by the legal representative who appears in the above-mentioned certificate or an attorney-in-fact of the company. Documentation required: - Photocopy of the Spanish national identity card or NIE and passport (copy of the first page where the signature appears) of the signatory of form 036 and/or of the legal representative. The original certificate of incorporation or extract from the Commercial Registry indicated in section 1 above. - To complete form 036, it will be necessary to indicate an address in Spain for notification purposes. - If applied for through a representative who is an attorney-in-fact: (i) photocopy of the Spanish national identity card or NIE of the attorney-in-fact, (ii) proof that he/she has sufficient power and, where applicable, duly translated (sworn translation), with notarial certificate and legalized and/or certified by apostille. The office of the grantor of the power of attorney must be recorded in the registration certificate of the nonresident company.	First step: assignment of the representative's instrumental NIE by means of form 030 on the same day. Second step: one or two days later, the foreign entity's NIF can be obtained by means of form 036.
Abroad	Spanish Consulates abroad or telematically.		

Note: Documents from other countries (such as powers of representation in order to appear before the authorities and apply for a NIF/NIE) must be translated into Spanish or the co-official language of the Autonomous Community⁵ in which the application is submitted. Any foreign public document must be legalized beforehand by the Spanish consulate office with jurisdiction in the country the document was issued and by the Ministry of Foreign Affairs, European Union and Cooperation, unless the document has been certified by apostille by a competent authority in the country of issue pursuant to the Hague Convention of October 5, 1961.

³ <https://www.agenciatributaria.gob.es/AEAT.sede/procedimiento/ni/G321.shtml>

⁴ <https://www.agenciatributaria.gob.es/AEAT.sede/tramitacion/G322.shtml>

⁵ Bear in mind that a sworn translation must be made, both of the document and of its authentication and the apostille.

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3.3 PROVISIONAL AND DEFINITIVE NIF OF THE COMPANY RESIDENT IN SPAIN THAT IS TO BE SET UP

The provisional and definitive NIF for companies resident in Spain, unlike the NIF for foreign individuals or legal entities who are going to be shareholders or directors of companies resident in Spain, may only be applied for in Spain, directly by the applicant or through a representative, and are free of charge.

PROVISIONAL NIF (BEFORE SETTING UP COMPANY)

Procedure	Where to submit application	Documentation	Decision period
Ordinary procedure	State Tax Agency.	- Form 036⁶ (declaration of registration on, amendment to, or deregistration from the Census of Traders, Professionals and Withholding Agents, box 110), signed by a representative of the company holding a NIE or Spanish national identity card⁷. - Copy of the NIE or Spanish national identity card of the signatory. - Original clear name search certificate from the Central Commercial Registry. - Agreement of intent to form a company signed by the managing body and shareholders or copy of the deed of formation⁸.	Same day
Telematic procedure	The notary authorizing the deed of formation will request the assignment of a provisional NIF by the State Tax Agency by telematic means. The shareholders and directors must have a NIE or a Spanish national identity card and must appear as previously registered on the census.		

DEFINITIVE NIF (AFTER SETTING UP THE COMPANY)

Where to submit application	Documentation	Decision period
State Tax Agency [Telematic procedure]	- Form 036 (declaration of registration on, amendment to, or deregistration from the Census of Traders, Professionals and Withholding Agents, box 120, application for final NIF), signed by a representative of the company holding a NIE or Spanish national identity card. In this act, registering on the form the obligation to file a corporate income tax return is a mandatory minimum requirement, so box 133 must be checked. The other obligations regarding the tax on economic activities, personal income tax or VAT can be registered on the same form or at a later time. - Photocopy of the power of attorney evidencing the representative authority of the person signing form 036. - Scanned copy of the NIE or Spanish national identity card of the signatory. - Original and copy of the deed of formation bearing the registration stamp.	10 business days

Note: documents from other countries (such as powers of representation in order to appear before the authorities and apply for a NIF/NIE) must be translated into Spanish or the co-official language of the Autonomous Community⁹ in which the application is submitted. Any foreign public document must be legalized beforehand by the Spanish consulate office with jurisdiction in the country the document was issued and by the Ministry of Foreign Affairs, European Union and Cooperation, unless the document has been certified by apostille by a competent authority in the country of issue pursuant to the Hague Convention of October 5, 1961.

⁶ Form 036 can be obtained at offices of the tax authorities or downloaded directly from the tax authority website: <https://sede.agenciatributaria.gob.es/> (Templates and Forms/Tax returns/All Tax Returns).

⁷ If the signatory of form 036 is not registered as a shareholder or member of the managing body in the agreement of intent, a power of attorney with a specific clause in favor of the signatory must be provided.

⁸ With the following content: a) type of company, (b) corporate purpose, (c) initial capital stock, (d) registered office, (e) shareholders, and (f) the members of the managing body. A copy of the NIF/NIE/national identity document of the shareholders and members of the managing body must also be provided.

⁹ Bear in mind that a sworn translation must be made, both of the document and of its authentication and the apostille.

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ANNEX I. Table summarizing the tax treatment given to the various ways of investing in Spain

The most common forms of legal entity under Spanish corporate law are the corporation (*Sociedad Anónima - S.A.*), and the limited liability company (*S.L.*) (other corporate forms are described in [Annex I, section 2](#) of this Guide). The main differences between S.A.s and S.L.s are as follows:

	S.A.	S.L.
Minimum capital stock	€60,000	€1 ¹⁰
Payment upon formation	At least 25% and any share premium.	Payment in full.
Contributions	A report from an independent expert on any non-monetary contributions is required. ¹¹	No report from an independent expert on non-monetary contributions is required, although the founders and shareholders are jointly and severally liable for the authenticity of any non-monetary contributions made ¹² . In any case, a substitute report from the directors is required.
Shares	They are marketable securities. Debentures and other securities that recognize or create a debt, even bonds convertible into shares, can be issued. They may be represented by certificates or book entries.	They are not marketable securities. Debentures and other securities that recognize or create a debt can be issued.

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- ¹⁰ Law 18/2022, of September 28, 2022, on the creation and growth of companies (the "Create and Grow Law") was approved in 2022 and reduced the minimum capital stock required to form a limited liability company to €1. However, where the capital stock of limited liability companies is less than €3,000: (i) a legal reserve must be recorded of at least 20% of income until the sum of the legal reserve and the capital stock amounts to €3,000, and (ii) the shareholders must be jointly and severally liable with the company, up to the amount of the difference between the subscribed capital stock figure and €3,000 if, in the event of liquidation, the net worth of the company is insufficient to cover the company's payment obligations.
- ¹¹ The expert report is not required, but the substitute report from the directors is required in the following cases:
- a. Contribution of transferable securities that are listed on an official secondary market or on another regulated market or in money market instruments, in which case they will be valued at the weighted average price on one or more regulated markets in the last quarter preceding the date on which the contribution was actually made, with the certificate issued by the relevant governing company,
 - b. Contribution of assets other than those indicated in letter a. above the fair value of which has been determined, within the 6 months preceding the date on which the contribution was actually made, by an independent expert not appointed by the parties,
 - c. Where in the formation of a new company by merger or spin-off a report has been prepared by an independent expert on the merger or spin-off plan,
 - d. Where the increase in share capital is carried out to deliver the new S.A. or S.L. shares to the shareholders of the absorbed or spun-off company and a report has been prepared by an independent expert on the merger or spin-off plan, or
 - e. Where the increase in share capital is carried out to deliver the new S.A. shares to the shareholders of the company that is the target of a tender offer.
- ¹² However, any shareholders whose non-cash contributions are subject to expert valuation in accordance with the provisions for S.A.s shall be excluded from joint and several liability for the authenticity of their contributions (art. 76 LSC).

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	S.A.	S.L.
Transfer of shares	Depends on how they are represented (share certificates, book entries, etc.) and on their nature (registered or bearer shares). In principle, they may be freely transferred, unless the bylaws provide otherwise. Bylaw provisions that make shares non-transferable in practice are void.	Must be recorded in a public document. S.L. shares are generally not freely transferable (unless acquired by other shareholders, ascendants, descendants or companies within the same group). In fact, unless otherwise provided in the bylaws, the law establishes a pre-emptive acquisition right in favor of the other shareholders or the company itself in the event of a transfer of the shares to persons other than those referred to above.
Amendments to the bylaws	The directors or shareholders, as the case may be, making the proposal must issue a report justifying the advisability of the amendment.	No report is required.
Venue for shareholders' meetings	As indicated in the bylaws. Otherwise, in the municipality where the company has its registered office. The bylaws may (i) provide for the possibility of attending shareholders' meetings virtually by electronic means that duly guarantee the identity of the attendee, and (ii) the holding of virtual-only shareholders' meetings (without the physical presence of the shareholders or their proxy-holders).	
Attendance and majorities at shareholders' meetings	Different <i>quorums</i> and majorities are established for meetings on first and second call and depending on the content of the resolutions. These can be increased by the bylaws.	There is no minimum <i>quorum</i> requirement for constitution, but the required majorities will refer to the total share capital, not the capital present or represented at the meeting, as in the case of an S.A. Different majorities are established depending on the content of the resolutions. These can be increased by the bylaws.
Right to attend shareholders' meetings	A minimum number of shares may be required to attend the shareholders' meeting.	This right cannot be restricted.
Number of members of the board of directors	Minimum: 3. No maximum limit.	Minimum: 3. A maximum of 12 members.
Term of the office of director	Maximum 6 years (4 years at listed companies). They may be reelected for periods of the same maximum duration.	May be indefinite.
Issue of bonds	Bond issues may be used as a means to raise funds. Bonds convertible into shares may be issued or guaranteed.	Bond issues may be used as a means to raise funds, although the total amount of the issues may not be higher than twice the company's equity, unless the issue is secured by a mortgage, by a pledge of securities, by a government guarantee or by a joint and several guarantee from a credit institution. If the issue is secured by a joint and several guarantee from a mutual guarantee society, the limit and other conditions of the guarantee will be determined by the guarantee capacity of the society at the time of providing it, in accordance with its specific legislation. Bonds convertible into shares cannot be issued or guaranteed.

Any foreign citizen or legal entity may freely be a shareholder of a Spanish company provided that he/she/it applies for a NIE or NIF as described in this chapter.

Likewise, any foreign citizen or legal entity can also be an administrator of a Spanish company, with the same requirement to apply for a NIE or NIF¹³. In the event of providing services and receiving remuneration as compensation for their services as an administrator, they must be registered in the corresponding Social Security¹⁴ regime, which will depend on the shares they hold in said company and whether they have effective control over it.

¹³ Directorate-General of Registries and the Notarial Profession of January 18, 2012.

¹⁴ Articles 136 and 305 of Legislative Royal Decree 8/2015, of October 30, 2015, approving the revised General Social Security Law. (see [chapter 5, section 13.3](#) for further information).

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4.1 LEGAL FORMALITIES

Limited liability companies can be incorporated (i) in person, or (ii) entirely online, where certain requirements are met.

4.1.1 INCORPORATION IN PERSON

The ordinary steps and expenses involved for incorporation in person are similar for both legal forms and are detailed in the following table.

STEPS FOR THE INCORPORATION OF A SPANISH LIMITED LIABILITY COMPANY

Requirements	Applicable to any kind of limited liability company or corporation.
1. Clear name search certificate	Application to the Central Commercial Registry by the interested party or anyone authorized by it (may contain up to 3 alternative corporate names, in order of preference) ¹⁵ . The Central Commercial Registry will issue a name reservation certificate for the new company. Names are reserved for a period of six months as from the date of issue of the certificate. However, the clear name search certificate will be valid for three months for the purposes of executing the deed, reckoned from the date of its issue by the Central Commercial Registry. Once the certificate has expired, an application may be submitted for its renewal with the same name. The expired certificate must be attached to the application.
2. Application for provisional NIF	See section 3.3 above.
3. Opening of a bank account	Opening of a bank account in the entity's name for payment of the capital stock. Once the founding shareholders have paid in the capital, the bank must issue payment certificates.
4. Document containing representations by the beneficial owner	The founding shareholders must execute a document containing representations by the beneficial owner in accordance with Law 10/2010, of April 28¹⁶. On September 19, 2023, Royal Decree 609/2023, of July 11, came into force, for the creation of the Central Register of Ultimate Beneficial Ownership (RCTIR) and its regulation. The RCTIR is an electronic, centralized and single register, managed by the Ministry of Presidency, Justice and Parliamentary Relations which will gather the information on beneficial ownership available in different public registries, as well as that obtained by the General Council of Notaries and the Commercial Registries regarding: - Spanish legal persons and entities or structures without legal personality that have their registered offices or their principal activity in Spain, or that are administered or managed by persons resident or established in Spain, and - Entities or structures without legal personality which, not being managed or administered from Spain or another State of the European Union, and not being registered by another State of the European Union, intend to establish business relations, carry out occasional operations or acquire real estate in Spain. The administrators of capital companies have the obligation to keep the RCTIR up to date and failure to do so will lead to the closure of the company's registry sheet.

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¹⁵ Applications for clear name search certificates may be made:

- Directly at the offices of the Central Commercial Registry with a printed application form.
- By mail, by sending an application or letter to the offices of the Central Commercial Registry. The Registry will issue the certificate in return for payment on delivery to the address indicated in the application.
- By telematic means, by filling the application form on the website: www.rmc.es (<https://www.rmc.es/privado/CertificacionesDenominaciones.aspx?lang=en-GB>).

¹⁶ Law 10/2010, of April 28, on the Prevention of Money Laundering and Terrorist Financing (Law 10/2012) requires the founders of a company to provide a declaration by the "beneficial owner", that is, by the individual(s):

- On whose behalf it is intended to establish a business relationship or take part in transactions, and/or
- who ultimately owns or controls, directly or indirectly, more than 25% of the capital or voting rights of a legal entity, or who otherwise exercises control, directly or indirectly, over the management of a legal entity. An exception is made for companies listed on a regulated market in the European Union and subject to disclosure requirements consistent with EU law or with equivalent international standards that ensure that the information on ownership is suitably transparent. It is interesting to note that in the case of fideicomisos or fiduciary arrangements, such as common law/Anglo-Saxon trusts, all the following persons will be considered beneficial owners: 1. settlor, 2. trustee or trustees, 3. the protector, if any, 4. the beneficiaries or, where they have yet to be designated, the category of persons for whose benefit the legal structure has been created or acts; and 5. any other individual who exercises ultimate control over the trust by means of direct or indirect ownership or by other means. In the case of legal instruments similar to a trust, such as fiduciary arrangements or the "Treuhand" under German legislation, the obliged entities must identify and adopt the appropriate measures to verify the identity of the persons who hold positions equivalent or similar to those listed in numbers 1 to 5 above.
- Individuals who are considered beneficial owners must provide the following identifying particulars: first and last names, birth date, type and number of identity document, country that issued the identity document, country of residence, nationality, criteria by which he/she is classified as a beneficial owner, and in the case of beneficial ownership by direct or indirect ownership of shares or voting rights, percentage holding, including, in the case of indirect ownership, information on the interposed legal entities and their interest in each of them. Obligated entities that belong to the same category according to the provisions of Law 10/2010 may create shared systems for reporting, storing and, as applicable, accessing the information and documentation gathered for the purposes of compliance with due diligence obligations, provided they notify the Anti-Money Laundering and Monetary Infractions Commission at least 60 days in advance of its entry into operation.
- Information relating to beneficial ownership must be kept for 10 years after beneficial owner *status ends*.

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STEPS FOR THE INCORPORATION OF A SPANISH LIMITED LIABILITY COMPANY

Requirements	Applicable to any kind of limited liability company or corporation.
5. Execution of deed before a notary	The founding shareholders must execute a public deed before a notary, containing: i. Evidence of the identity of the founding shareholders. If any of the shareholders is represented at the act of formation, a notarized power of attorney to represent the shareholder must be produced to the notary. If the power of attorney is issued abroad, it must be duly legalized¹⁷. ii. Representations by the beneficial owner (see requirement 4 above). iii. Evidence of contributions and whether they are to be made in cash or in kind (if applicable) using the corresponding bank documentation, as well as details of the capital stock subscribed by the shareholders (see requirement 3 above)¹⁸. iv. Clear name search certificate issued by the Commercial Registry (see requirement 1 above). v. Company bylaws. vi. If the company is a limited liability company, the deed of formation must specify the initial form of the managing body, if the bylaws provide for different alternatives. vii. Identification of and acceptance by the company directors. viii. Subsequent declaration of foreign investment to the Register of Foreign Investment of the Directorate-General for International Trade and Investments (DGCII) of the Ministry of Industry and Tourism (see chapter 1, section 8 for further information). In some cases, limited mainly to foreign investments from countries or territories deemed to be tax havens, a prior declaration must be made (see chapter 1, section 8 for further information). ix. Identification of the economic activity code describing the activity in accordance with the National Classification of Economic Activities (CNAE). x. If the company is a corporation, the deed of formation must also state, at least approximately, the total amount of the formation expenses, both of those already paid and those merely envisaged until registration. The deed must be executed within the three months following the issue of the clear name search certificate by the Central Commercial Registry.
6. Application for registration of the registered office at the Commercial Registry	The deed of formation will be submitted (i) telematically by the notary, or (ii) in person by the interested party.

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¹⁷ There are two main procedures for such legalization:

- Execution of the powers of attorney in the presence of the Spanish Consul in the foreign investor's home country. The foreign investor appears before the Spanish Consul, provides evidence of his identity and grants the related powers of attorney. If a company, rather than an individual, is the foreign shareholder, apart from his identity, the person appearing before the Spanish Consul must provide evidence of his capacity to grant the powers of attorney to the designated person in the name and on behalf of the shareholder. The Spanish Consul may demand any documentation he considers necessary and will proceed to grant a deed of power of attorney, in Spanish, to the designated person. This power of attorney may be used directly in Spain.
 - Execution of the power of attorney in the presence of a foreign public authenticating officer. The foreign investor appears before the authenticating officer, provides evidence of his identity and grants the related power of attorney. If the foreign investor is a company, its representative shall execute the power of attorney in the presence of the public authenticating officer, who will certify the document as well as the identity and capacity of the representative of the foreign investor to grant the power of attorney. The signature of the foreign authenticating officer would also require subsequent legalization (either by the "apostille" procedure approved by The Hague Convention of October 5, 1961, or by a Spanish Consul abroad). Under this second procedure, the power of attorney would normally be issued in the language of the authenticating officer who attests to the act, meaning a sworn translation into Spanish would also have to be provided.
- Furthermore, by virtue of Law 11/2023 of 8 May on the transposition of European Union Directives on the accessibility of certain products and services, the migration of highly qualified persons, taxation and the digitalization of notarial and registry proceedings, and amending Law 12/2011 of 27 May on civil liability for nuclear damage or damage caused by radioactive materials, a new article 17 ter was introduced into the Notaries Act of 28 May 1862 (**Notaries Act**), allowing the granting and authorization of special powers of attorney before a notary by videoconference.

¹⁸ It will not be necessary to evidence the reality of the monetary contributions in the case of entrepreneurial limited liability companies (see [annex 1, section 4.1](#)).

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STEPS FOR THE INCORPORATION OF A SPANISH LIMITED LIABILITY COMPANY

Requirements	Applicable to any kind of limited liability company or corporation.
7. Period for assessment and registration in the Commercial Registry	Fifteen (15) days as from the date of the entry recording the filing of the deed, unless there is just cause, in which case the period will be thirty (30) days.
8. Obtainment of definitive NIF	See section 3.3 above.
9. Opening formalities for tax and labor purposes	Registration for the purposes of the Tax on Economic Activities: submission of Form 036. Companies being set up must describe the activities they are going to pursue and the reason why they are exempt from this tax. The following, among others, are exempt from this tax: • Individuals are exempt in any case. • Legal entities during the first two years they pursue their activities. • Legal entities whose net turnover is less than €1 million. • Nonprofit associations and foundations for people with physical, mental or sensory disabilities, for teaching, scientific or welfare activities. • Taxpayers that qualify for the exemption under international treaties. This step must be completed within a month from the start date of the activity. Registration for the purposes of Value Added Tax (VAT). Obtainment of an opening/operating license, or sufficient enabling instrument for pursuit of the activity, from the relevant municipal council¹⁹. For labor purposes, please see chapter 5, section 10.

¹⁹ In this connection, in accordance with the provisions of Law 12/2012, of December 26, 2012, on Urgent Measures to Deregulate Trade and Certain Services, permanent establishments used for commercial retail purposes and the provision of certain services provided for in the Schedule to the Law with a useful sales and display area not to exceed 750 m² will not generally be required to obtain an opening and operating license beforehand, but rather to submit a solemn declaration or prior communication. However, when the planned commercial activity implies the establishment of a large retail outlet, it will be necessary to hold industry authorization or an equivalent instrument granted by the competent body of the regional government.

As a general rule, setting up a corporation or limited liability company using the ordinary procedure takes between 6 and 8 weeks (for aspects relating to labor formalities and authorizations, see [chapter 5](#)).

For additional information please visit www.investinspain.org.

4.1.2. ONLINE INCORPORATION

With the system designed by Law 11/2023, of May 8, 2023, transposing EU Directives in the areas of accessibility of certain products and services, migration of highly qualified people, tax and digitalization of notarial and registry procedures, and save

for certain exceptions²⁰, provided that member contributions to the share capital are monetary contributions and that the remaining requirements are met for the electronic execution of the incorporation provided for in the Law on the Notarial Profession, limited liability companies may be incorporated entirely online.

To facilitate the online incorporation of companies, standard-form documents or templates should be provided to simplify the operation. Pursuant to the provisions of Law 14/2013, of September 27, 2013, to support entrepreneurs and their internationalization (the “**Entrepreneurs Law**”), as amended by Law 11/2023, of May 8, 2023, online incorporation shall be made up of the following steps, depending on whether or not standard bylaws are used:

²⁰ As a general rule, the formation of a company may be carried entirely online, without the need for the founders to appear in person before a notary. However, the notary may require the physical presence of the interested party: (i) on a single occasion, and for reasons of public interest, in order to prevent any misrepresentation of identity, (ii) to fully verify the capacity of the granting party, and (iii) as the case may be, to check the effective powers of representation of the granting party. In such cases, the notary must indicate in the deed the reasons why the physical presence of the appearing persons was required. This physical presence will not prevent the remaining steps and elements of the electronic procedure for company formation from being completed electronically.

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A. Formation of a limited liability company with standard bylaws using a standard-form public deed:

No.	Steps
1	At the Entrepreneur Service Point (PAE): 1.1. Completion of single electronic document (DUE) and commencement of electronic processing. Documents that are drafted in a foreign language must be accompanied by a translation into Spanish or any other official language in the province of the registered office by a sworn translator. Foreign public documents must have the corresponding apostille or diplomatic legalization, except where exempt (by law or pursuant to international treaties in force in Spain). In any case, documents attested by a Consul in the exercise of notarial functions or notarial documents executed abroad and legalized by the Spanish authorities will be subject to Spanish tax obligations. 1.2. Filing of request to reserve the name of the company (up to 5 different names) with the Central Commercial Registry, which will issue a certificate within the following 6 business hours. 1.3. An appointment will immediately be made with the chosen notary's office for the execution of the deed of formation of the company. This appointment is obtained by means of real-time communication with the Electronic Notarial Agenda, obtaining information on the notary's office, date and time of execution of the deed, which will be within the 12 business hours following the filing of the application. If the entrepreneur has an electronic certificate, they may also complete the single electronic document (DUE) themselves.
2	The notary will: 2.1. Authorize the electronic deed of formation using a standard-form document with specific fields. The document evidencing payment of the share capital, the national identity card or NIE of the founders and the clear name search certificate obtained from the Central Commercial Registry must be submitted. 2.2. Immediately send a copy of the deed to the tax authorities, requesting the assignment of a provisional NIF via the Business Information Center and Creation Network (CIRCE) remote processing system. 2.3. Send an authorized copy of the deed of formation to the Commercial Registry corresponding to the registered office for its registration via the CIRCE remote processing system. 2.4. Deliver an electronic uncertified copy of the deed of formation to the executing parties, which will be available at no additional cost in the PAE section of the Ministry of Industry and Tourism website.
3	The Commercial Registrar, on receiving via CIRCE (a) an electronic copy of the deed of formation together with the provisional NIF assigned, and (b) evidence of the exemption from transfer and stamp tax, will: 3.1. Assess the deed and register it within 6 business hours (business hours meaning those included within the opening hours established for the registries). 3.2. Send a certification of registration to the CIRCE on the same date of registration. 3.3. Request the definitive NIF. 3.4. Where the Commercial Registrar finds defects or impediments that prevent its registration, a negative assessment will be issued and notified to the CIRCE, which will immediately notify such circumstance to the founding shareholders and to the notary. 3.5. The publication of the registration of the company in the Official Commercial Registry Gazette is exempt from payment of charges.
4	The tax authorities will: 4.1. Notify the definitive status of the NIF via the CIRCE. 4.2. Notify the NIF via the CIRCE.
5	The formalities for commencement of the activity will be performed at the PAE, which will send the information contained in the DUE to: 5.1. The State Tax Agency. 5.2. The Social Security General Treasury. 5.3. The local and autonomous community authorities, as the case may be.

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B. Formation of a limited liability company without standard bylaws using a standard-form public deed:

No.	Steps
1	When the founding shareholders choose to form a limited liability company without standard bylaws, the provisions for formation of a limited liability with standard bylaws will apply, with the specific characteristics indicated in this table. At the Entrepreneur Service Point (PAE), the founding shareholders may: • File a request to reserve the name of the company. • Set the date for the execution of the deed of formation.
2	The notary, once they have the background information necessary to draw up the deed, will: Authorize the electronic deed of formation, attaching the document evidencing payment of the capital stock. A standard-form deed of formation will be used, with coded fields. 2.1. Both the notaries and the intermediaries must notify the founding shareholders of the benefits of using PAEs and CIRCE for formation of the company and for the performance of other formalities linked to the commencement of the company's activity. 2.2. Immediately send a copy of the deed to the tax authorities, requesting the assignment of a provisional NIF via the CIRCE. 2.3. Send an authorized copy of the deed of formation to the Commercial Registry corresponding to the registered office via the CIRCE. 2.4. Deliver an electronic uncertified copy of the deed of formation to the executing parties at no additional cost, which will be available at the PAE section of the Ministry of Industry and Tourism website.
3	3.1. The Commercial Registrar, on receiving the electronic copy of the deed of formation, shall initially register the company at the Commercial Registry within a period of 6 business hours, solely indicating the data relating to: (i) name, (ii) registered office, (iii) corporate purpose, (iv) capital stock, and (v) managing body. 3.2. Definitive registration will take place within five days as from the day after the date of the filing entry or, as the case may be, the date of return of the withdrawn document. For such purposes, each Commercial Registry must set up a remote customer service desk during business hours so that, at the request of the interested parties or their representatives, subject to their identification, they can handle queries, including via video conference, regarding the registrability of lawful bylaw clauses or provisions. If definitive registration takes place while the filing entry is valid, the effects will be backdated to that date. Where it is not possible to complete the procedure within the indicated time periods, the commercial registrar will notify the applicant of the reasons for the delay. 3.3. Once registered, the Commercial Registrar will notify the competent tax authorities of the registration of the company, requesting the definitive NIF. 3.4. In order to evidence the correct registration of companies at the registry, and the registration of the appointment of the directors appointed in the deed, the electronic certification issued at no additional cost by the commercial registrar on the date of registration, at the request of the interested party, will be sufficient. On the same date, a notification will be sent to the notary that authorized the deed of formation informing them that the company has been registered with the corresponding registry data, which will be attached to the notarial protocol. 3.5. The founding shareholders may grant the authorizing notary the authority to electronically rectify any defects found by the registrar in his or her assessment, provided that the notary abides by the assessment and the stated intention of the parties. 3.6. Any incident arising during the registration process between the relevant public authorities that is not attributable to the entrepreneur, will not give rise to any additional obligation or expense for the entrepreneur, and the relevant public authorities will be responsible for resolving such incident.
4	The tax authorities will: 4.1. Notify the definitive status of the NIF via the CIRCE. 4.2. Notify the NIF via the CIRCE.
5	The formalities for commencement of the activity will be performed at the PAE, which will send the information contained in the DUE to: 5.1. The State Tax Agency. 5.2. The Social Security General Treasury. 5.3. The local and autonomous community authorities, as the case may be.

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It should be noted that according to the Entrepreneurs Law:

- Entrepreneur Service Points (**PAEs**) are: offices belonging to public and private organizations, including notary offices and commercial registries, which will be tasked with facilitating the creation of new businesses, the effective commencement of their activity and their development, by providing information, processing, documentation and advisory services. PAEs use the Business Information Center and Creation Network (CIRCE) remote processing system.
- Both notaries and intermediaries must inform founders of the benefits of using PAEs and the CIRCE for the formation process and completing other formalities linked to the commencement of the company's activity. Specifically, they must inform them of the following points: (i) formation costs and time periods, (ii) provision of information and advisory services, (iii) automatic fulfillment of tax and social security obligations associated with the commencement of the activity, (iv) possibility of completing formalities associated with the commencement of activity vis-à-vis the state, autonomous community and local authorities, by submitting notices and solemn declarations, and (v) monitoring of the status of the procedures vis-à-vis the competent bodies.
- All the formalities required for company formation, the actual commencement of an economic activity and its pursuit by entrepreneurs can be completed via the PAE section of the Ministry of Industry and Tourism website. The PAE section of the Ministry of Industry and Tourism website will be accessible by computer, cell phone and tablet and will include in all cases:
 - All the information and forms required to take up and pursue the activity.
 - The possibility of submitting all the necessary documentation and applications.

- The possibility of knowing the status of the procedures in which the entrepreneur is an interested party and, where appropriate, receiving the relevant notification of the mandatory procedural acts and the decisions on them by the competent administrative body.
- All the information on the aid, subsidies and other types of financial support available for the economic activity in question from the state, autonomous community and local authorities.
- Any other functions entrusted to it by law.
- The Single Electronic Document (**DUE**) is the document containing the data that must be sent to the legal registries and to the competent public authorities for:
 - The formation of limited liability companies.
 - The registration at the Commercial Registry of the Individual Entrepreneur.
 - Fulfillment of the tax and social security obligations on commencement of the activity.
 - The performance of any other formality on commencement of the activity with the state, autonomous community and local authorities.

4.2 TELEMATIC LEGALIZATION OF BOOKS

In accordance with article 18 of the Entrepreneurs Law and with the Instruction of February 12, 2015 and of July 1, 2015, of the Directorate-General of Registries and the Notarial Profession, on the legalization of traders' books in accordance with article 18 of Law 14/2013, of

September 27, on support to entrepreneurs and their internationalization, all of the books that traders must keep in accordance with the applicable legal provisions will be legalized telematically at the Commercial Registry after they have been completed in electronic format and before four months elapse after the year-end date.

Regarding the books that are mandatory, their key features are as follows:

- Minutes book:
 - All of the minutes of the meetings of the collective bodies of commercial companies, including decisions adopted by the sole shareholder, must be reflected in electronic format and be submitted telematically for legalization within four (4) months after the fiscal year-end.
 - The company may keep just one book for all of the minutes of all of the collective bodies of the company, or a different book for each one of the collective bodies.
 - Each book must state the date of the start and the end of the fiscal year.
 - At any time of the fiscal year, the company may legalize books of details of minutes with minutes from the current fiscal year for purposes of an evidentiary or any other nature, and notwithstanding that all minutes must be included in the minutes book for the entire fiscal year.
- Register of shareholders (S.L.) or register of registered shares (S.A. with registered shares):
 - Once the company has been registered at the Commercial Registry, it will be necessary to legalize a book which records

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the initial ownership of the founders and, once this initial book has been legalized, it will only be necessary to legalize a new book within the four months following the end of the fiscal year in which there has been any change in the initial or successive ownership of the shares or encumbrances have been created over them.

- These books must record the full identity of the owners, their nationality and domiciles. The omission of the recording of the nationality or domicile will not preclude the book in question from being legalized, but this omission will be recorded in the legalization note.
- Book of contracts with the sole shareholder: this book is subject to the same rules as those applicable to the register of shareholders/register of registered shareholders.

It is possible to legalize any of the above books from a given year without those from the immediately preceding years having been legalized.

The signatures of the persons who authorize the request and the list of digital signatures generated by the books whose legalization is requested must meet the requirements laid down in the current legislation on qualified electronic signatures and with the mandatory certification of the certification services provider.

4.3 FEES AND COSTS

- Fees of the notary handling the formation:
 - a. As a general rule, for corporations and limited liability companies formed under the ordinary regime, the fees

are charged on a sliding scale based on the capital stock. For guidance purposes, the official rates amount to approximately €90 for the first €6,010.12, after which rates of between 0.03% and 0.45% are applied to amounts of between €6,010.121 and €601,012.10. For any amount in excess of €6,010,121.10, the notary will receive the amount that is freely agreed upon by the executing parties.

b. For limited liability companies formed telematically whose capital exceeds €3,100 or whose bylaws are not adapted to any of the forms approved by the Ministry of Presidency, Justice and Parliamentary Relations, the fee will be €150.

c. For limited liability companies formed telematically whose capital does not exceed €3,100 and whose bylaws are adapted to one of the forms approved by the Ministry of Presidency, Justice and Parliamentary Relations, the fee will be €60.

- Fees for registering the company at the local Commercial Registry:
 - a. As a general rule, for corporations and limited liability companies formed under the ordinary regime, there are official rates that amount to €6.01 for the first €3,005, after which there is a sliding scale ranging from 0.005% and 0.10% for capital in excess of €6,010,121. The total fee is capped and may not exceed €2,181.

b. For limited liability companies formed telematically whose capital exceeds €3,100 or whose bylaws are not adapted to any of the forms approved by the Ministry of Presidency, Justice and Parliamentary Relations, the fee will be €100.

c. For limited liability companies formed telematically whose capital does not exceed €3,100 and whose bylaws are

adapted to any of the forms approved by the Ministry of Presidency, Justice and Parliamentary Relations, the fee will be €40.

- d. The fee for registering at the Commercial Registry for Limited Liability Entrepreneurs (see [section 5 of this chapter 2](#) for more information) will be €40. The publication of the Limited Liability Entrepreneur's registration in the Commercial Registry Official Gazette will be exempt from fees.

In addition, in accordance with the Decision of April 5, 2019 of the Directorate-General of the State Tax Agency, which is temporarily suspended²¹, invoices that include any fee for the performance of any transaction before the Property, Commercial and Personal Property Registries, including that of formal disclosure, which arise from documents filed at the relevant registry after March 5, 2017, will not be certified or paid. The only exception will be the fees issued by registries located in the territory of the Cataluña Autonomous Community, until the Cabinet of the Cataluña Autonomous Community Government issues the relevant decree supplementing the central government decree that gives rise to the registry demarcation.

- Transfer tax under the “corporate transactions” heading, exempt in accordance with Royal Decree-Law 3/2010 (see [chapter 3](#))²².

²¹ This decision is temporarily suspended by the Decision of June 3, 2019, of the Directorate-General of the State Tax Agency.

²² The decision by the Directorate-General of Registries and the Notarial Profession of January 26, 2012, establishes that in forming companies domiciled in territories where rules or instructions have been handed down regarding the settlement of transfer tax (including under the corporate transactions heading), the relevant tax return must be submitted together with the deed of formation at the relevant Commercial Registry.

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- Charge for processing of the opening/operating license or solemn declaration by the municipal authority. It is a one-off municipal tax, ordinarily a relatively small amount²³. If, due to the type of activity, prior administrative authorization must be obtained, the relevant charge will also need to be paid to the granting central government or autonomous community tax authorities. Other expenses (i.e. professional fees) which are not readily quantifiable.

²³ In accordance with the provisions of Law 12/2012, of December 26, 2012, on Urgent Measures to Deregulate Trade and Certain Services, permanent establishments used for commercial retail purposes and the provision of certain services provided for in the Schedule to the law with a useful sales and display area not to exceed 750 m2 will not generally be required to obtain an opening and operating license beforehand, but rather to submit a solemn declaration or prior communication. However, the start-up of certain large retail outlets may require the obtainment of authorization or an equivalent instrument granted by the competent body of the regional government.

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5. Limited liability entrepreneur



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The Entrepreneurs Law created the concept of the “Limited Liability Entrepreneur” (ERL), the main characteristics of which are as follows:

Concept

Limited Liability Entrepreneur status can be taken on by an individual entrepreneur, regardless of their business or professional activity, to limit their liability for the debt deriving from the conduct of their business which will prevent any such debt from affecting certain exempt assets (principal residence and productive capital goods, provided that certain conditions are fulfilled).²⁴

It makes an exception to the limited liability regime for any public law debts acquired by the Limited Liability Entrepreneur the collection of which is subject to the provisions of General Taxation Law 58/2003, of December 17, General Budget Law 47/2003, of November 26, and Legislative Royal Decree 8/2015, of October 30, 2015, approving the revised General Social Security Law.

Requirements

1. Registration of ERL status at the Commercial Registry corresponding to the registered office:

The notarial certificate that must be submitted by the notary to the Commercial Registry on the same day or on the business day following its authorization, or the application signed with the digital signature of the entrepreneur and sent by telematic means to the Commercial Registry, will be sufficient to apply for first registration of a Limited Liability Entrepreneur.

2. Value of the principal residence for which liability for business or professional debts does not extend to such asset:

- a. May not exceed €300,000 (valued according to the taxable amount for transfer and stamp tax purposes at the time of registration at the Commercial Registry).
- b. In the case of residences located in towns with more than 1,000,000 inhabitants, a multiplier of 1.5 will be applied to the value under (a) above.

3. Conditions that productive capital goods used in the operation must fulfill so that liability for business or professional debts does not extend to such asset:

- c. They must be used in the activity.
- d. They must be duly identified at the Movable Property Registry.
- e. The value of all of them must not exceed the sum of the combined revenues from the past two years.

4. Disclosure of ERL status

It must be mentioned on all documentation, stating the registry particulars.

5. Registration at the Property Registry

Once the ERL has been registered, the Commercial Registrar issues a certificate and sends it by telematic means to the Property Registry, for subsequent registration of the fact that the principal residence is not tied to the professional activity.

²⁴ A Limited Liability Entrepreneur can limit his/her liability stemming from business or professional debts, as an exception to what is provided for in article 1911 of the Civil Code and article 6 of the Commercial Code, in accordance with article 8.2 of the Entrepreneurs Law and provided that this absence of connection is disclosed in the manner established in that law.

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The Entrepreneurs Law provides that the necessary formalities for registration of ERL status may be performed using the CIRCE system and the DUE. In this case, the procedure would be as follows:

Step No. 1:

Completion of the single electronic document **(DUE)** at the Entrepreneur Service Point **(PAE)** and submission of the necessary documentation for registration at the Commercial Registry and at the Property Registry.

Step No. 2:

2.1. The PAE sends the DUE along with the relevant documentation to the Commercial Registry, requesting the registration of the limited liability entrepreneur.

2.2. The Commercial Registry has 6 business hours in which to register the entry and send the certification of registration to the CIRCE system by telematic means.

Step No. 3:

The Commercial Registrar will send the certificate of registration to the Property Registry, requesting registration of the prohibition on attachment of the ERL's principal residence in respect of professional and business debts.

Step No. 4:

The Property Registrar will register the prohibition within 6 business hours of receipt of the request, and shall immediately notify the registration to the CIRCE system, which will forward it to the tax authorities.

Entrepreneurs can ascertain the status of the procedure at any time from the corresponding PAE.

When it comes to this form of investment, of note is Royal Decree-Law 1/2015, of February 27, on the second chance mechanism, reduction of the financial burden and other measures of a social nature, whereby, among other reforms, a regime is established for the discharge of debts for natural person debtors in the context of an insolvency proceeding. Specifically, their debts will be discharged where:

- i. The debtor is a bona fide debtor, and
- ii. His/her assets are previously liquidated (or the insolvency proceeding is declared concluded due to an insufficiency of assets), and
- iii. The debtor has paid in their entirety the post-insolvency order claims, the preferred pre-insolvency order claims and, if an out-of-court payment agreement has not been tried, 25% of the ordinary claims, or
- iv. Where the claims indicated in point (iii) have not been paid, if the debtor agrees to submit to a 5-year payment plan (in this case, the debtor will be released from all of his/her claims except for public claims, alimony claims, post-insolvency order claims and preferred claims).

6. Opening of a branch

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In general terms, the requirements, procedural formalities and costs of opening a branch in Spain of a foreign company are very similar to those for the formation of a subsidiary (as a company). The main legal steps and costs are summarized below, highlighting the main differences with respect to the formation of a subsidiary.

6.1 LEGAL STEPS AND COSTS

1. Clear name search certificate

Same procedure followed as for a company. However, according to the decision of the Directorate-General of Registries and the Notarial Profession (DGRN) of May 24, 2007, foreign companies do not have to obtain a clear name search certificate from the Central Commercial Registry in order to set up a branch in Spain.

2. Obtainment of the NIF and appointment of the representative of the parent company in dealings with the Spanish tax authorities

Same procedure followed as for a company.

Appointment of an individual or legal entity residing in Spain to represent the parent company in dealings with the Spanish tax authorities regarding its tax obligations.

3. Document containing representations by the beneficial owner

Same procedure followed as for a company.

4. Execution of the deed recording the opening of a branch before a Spanish notary

This step consists of the public formalization before a notary of the resolution to open a branch previously adopted by the competent body of the foreign parent company.

The notary will request (i) documentation similar to that required for a subsidiary (that is, evidence of the identity of the person who appears before him, his power of attorney to represent the parent company, declaration of the beneficial owner, evidence of payment and whether it is to be made in cash or in kind (if applicable), (ii) sufficient proof (translated, legalized and/or certified by apostille, as appropriate) of the existence of the parent company, its bylaws and the names and personal details of its directors, and (ii) the resolution to form the branch adopted by the competent body of the parent company.

The deed may also contain the subsequent declaration of foreign investment to the Register of Foreign Investment of the Directorate-General for International Trade and Investments (DGCI) of the Ministry of Industry and Tourism. In some cases, as with subsidiaries, prior declaration is required (see [chapter 1, section 8](#) for further information).

5. Application for registration at the Commercial Registry

Same procedure followed as for a company.

6. Opening formalities

Registration for the purposes of the Tax on Economic Activities: same procedure followed as for a company.

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Registration for the purposes of Value Added Tax (VAT): same procedure followed as for a company.

Payment of the charge for processing of the opening/ operating license or solemn declaration (and, where applicable, the processing of any sectoral authorization – central government/autonomous community – that the planned activity may require): same procedure followed as for a company²⁵.

Registration for Spanish social security purposes: (see [chapter 5, section 13](#) for further information).

As a general rule, setting up a branch takes between 6 and 8 weeks.

6.2 TELEMATIC INCORPORATION OF BRANCHES FROM OTHER MEMBER STATES

Royal Decree 442/2023 provides that companies from another Member State may establish one or more branches anywhere in the national territory by means of the fully electronic procedure applicable to the incorporation of limited liability companies.

In addition, all information and documents relating to the first or successive creation, subsequent acts or closure of the branch may be submitted electronically.

Once the Commercial Registry has received all the documentation required for the creation of the new branch, it shall proceed to its registration within a maximum of 10 working days.

6.3 BRANCH VERSUS SUBSIDIARY

The main differences between a branch and a subsidiary to be taken into consideration from a tax and legal standpoint are summarized below.

	BRANCH	SUBSIDIARY
Minimum capital stock	No capital is required to set up a branch, although providing the branch with capital is recommended for practical reasons.	S.A.: €60,000. S.L.: €1 ²⁶ .
Legal personality	No (no separate legal personality but rather the same legal identity as its parent company).	Yes.
Managing and government body	Representative resident in Spain (who acts as attorney of the branch in the name and on behalf of the parent company for all purposes, particularly tax purposes ²⁷).	Shareholders' meeting and the managing body.
Shareholder liability	No limit to the parent company's liability.	The liability of the shareholders of a subsidiary formed as an S.A. or S.L. for the debts of the subsidiary is limited to the amount of their capital contributions (with the exceptions analyzed in annex I, section 3).

²⁶ Please see [section 4](#) of this document for more information.

²⁷ Article 10.1 of Legislative Royal Decree 5/2004, of March 5, approving the revised Nonresident Income Tax Law.

From a tax standpoint, both the branch and the subsidiary are, in general terms, liable for Spanish corporate income tax (subsidiary) or nonresident income tax (branch) at 25% on their net income (rate applicable from 2016 onwards).

The following aspects in relation to the tax treatment of branches and subsidiaries and of the income paid or remitted by them should be noted:

- The remittance of a branch's profits to its head office or the payment of a subsidiary's dividend to its parent will be taxed in Spain depending on the country of residence of the parent company or head office:
 - If it is not resident in an EU country and is also not resident in a country with which Spain has a tax treaty, remittances or dividends will be taxed in Spain at a rate of 19% from 2016 onwards.
 - If it is EU-resident, remittances or dividends are usually tax-exempt. If the exemption cannot be applied to dividends, the reduced rate under the relevant tax treaty with Spain will apply. If there is no tax treaty with Spain and the exemption will not be applied, the applicable rate will be 19%.
 - If it is resident in a non-EU country with which Spain does have a tax treaty, the dividends will be taxable at the reduced treaty rate and the remittance of branch profits will, under most treaties, be exempt from tax in Spain.

²⁵ In accordance with the provisions of Law 12/2012 on Urgent Measures to Deregulate Trade and Certain Services, permanent establishments used for commercial retail purposes and the provision of certain services provided for in the Schedule to the Law with a useful sales and display area not to exceed 750 m2 will not generally be required to obtain an opening and operating license beforehand, but rather to submit a solemn declaration or prior communication. However, the establishment of a large retail outlet requires the prior obtaining of authorization from the competent body of the regional government.

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- A branch is a permanent establishment for the purposes of nonresident income tax. Nonetheless, a branch is not the only form of permanent establishment. In order to identify whether or not a permanent establishment exists, consideration must first be given to whether or not a tax treaty has been signed between Spain and the country of residence of the interested party.

- If a tax treaty has been signed between Spain and the taxpayer's country of residence, regard must be had to the definition of permanent establishment in that treaty. In general, the tax treaties currently in force are in line with the definition set forth under article 5 of the OECD Model Convention, which distinguishes between two forms of permanent establishment.

The first form of permanent establishment is the fixed place of business. This is a place through which the business of an enterprise is wholly or partly carried on. In general, a fixed place of business will therefore exist where the following requirements are met:

- the facility, center or site must be used to carry on the business (unless its sole purpose is to store, display, or deliver goods or merchandise belonging to the company),
- the facility must be fixed or related to a specific place or space, with a certain degree of permanence over time,
- the activity must be productive and must contribute to the enterprise's global income.

This definition of permanent establishment excludes a fixed place of business from which certain ancillary or preparatory activities, listed in the tax treaties, are carried on.

The second form of permanent establishment is the dependent agent. This is an agent who acts on behalf of the

nonresident entity, who has and exercises powers to bind such entity, and who does not have independent agent status.

- If there is no applicable tax treaty, regard must be had to the definition of permanent establishment set forth in Spanish domestic law. Article 13.1.a of Legislative Royal Decree 5/2004, approving the revised Nonresident Income Tax Law has, to a great extent, been brought into line with the aforesaid definition of permanent establishment according to the OECD Model Convention.

- The Directorate General of Taxes has ruled on a number of occasions that the Special Rules regulated under Title VII of the Corporate Income Tax Law are applicable to permanent establishments located in Spain and belonging to nonresident entities, inter alia, the special rules applicable to small entities (For further information on the special rules, see [chapter 3](#)).
- Share of parent company overheads: in practice, it is usually easier for these expenses (if any are imputed) to qualify as deductible in the case of a branch than in the case of a subsidiary.
- Interest on loans from a foreign parent company to its Spanish branch is not tax-deductible for the branch. By contrast, the interest on loans from the shareholders of a subsidiary is normally tax-deductible for the subsidiary, provided that the transaction is valued on an arm's-length basis and subject to certain requirements, subject to the limits on deductibility established in corporate income tax legislation. The general limit is 30% of the subsidiary's EBITDA, although deductibility is prohibited in some cases, for example, where the debt is used to acquire holdings in entities from other group entities (unless they are acquired on valid economic grounds) or where the finance costs do not generate any income, or generate tax-exempt income or income taxed at less than 10% at the recipient, due to such income not being classed as a financial return.

6.4 CALCULATION OF SPANISH CORPORATE INCOME TAX

Below is a simple example of how Spanish corporate income tax and nonresident income tax is calculated on the profit obtained by a Spanish subsidiary or by the branch in Spain of a foreign company, respectively. (For further information, on these taxes, see [section 2.1. of chapter 3](#)).

PARENT COMPANY IN			
	EU Country ⁽¹⁾	Treaty Country	Non-Treaty Country
Subsidiary:			
Profit of Spanish subsidiary	100	100	100
Spanish income tax (25%)⁽²⁾	25	25	25
Dividends	75	75	75
Withholding tax on dividends	- ⁽⁴⁾	7.5 ⁽⁵⁾	14.25 ⁽³⁾
Total tax in Spain	25	32.5	39.25
Branch:			
Profit of Spanish branch	100	100	100
Spanish income tax (25%)⁽²⁾	25	25	25
Profit remitted to the parent company	75	75	75
Withholding tax	- ⁽⁴⁾	- ⁽⁶⁾	14.25 ⁽³⁾
Total tax in Spain	25	25	39.25

- (1) Spain has tax treaties in force with all EU countries except Denmark.
 (2) The general corporate income tax rate is 25%.
 (3) Withholding tax rate = 19%.
 (4) Exempt, provided certain conditions are met.
 (5) The withholding tax rate on dividends used in this example is 10% (the most common rate in the tax treaties entered into by Spain).
 (6) The branch profit tax will apply if provided for in the corresponding tax treaty (i.e. Canada and Brazil).

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6.5 REPRESENTATIVE OFFICES

Apart from through a corporation or a branch, a foreign investor in Spain may operate, among other options, through a representative office.

In light of the lack of specific regulations in this respect, a definition may be found in the tax treaties signed by Spain with third countries: a representative office is understood to be a fixed place of business, established by a nonresident company, that pursues purely marketing or informational activities relating to commercial, financial and economic matters but does not conduct any actual business. They are governed by treaties signed with Spain or, where there are no treaties, by Spanish legislation and representative offices are considered permanent establishments.

This form of establishment in Spain allows investors to obtain all kinds of information on which they can base their investment decision, without having to comply with too many legal formalities. A representative office is, therefore, the ideal vehicle for conducting market research, studying the level of competition existing in the industry in which it intends to invest, compiling financial projections and profit estimates for the investment or negotiating the acquisition of companies via purchase of shares or of assets and liabilities.

Representative offices have, inter alia, the following key characteristics:

- Representative offices do not have separate legal personality from their parent.
- The nonresident company is liable for all debts assumed by the representative office.
- Representative offices cannot themselves conduct commercial transactions.

- In general, no commercial requirements need to be met for a representative office to be opened, although mainly for tax, employment and social security purposes a public deed (or document executed before a foreign notary public, duly legalized with the Hague Apostille or any other applicable form of legalization) may have to be executed, recording the opening of the representative office, the allocation of funds, the identity of the tax representative (an individual or legal entity resident in Spain) and its powers. Representative offices need not be recorded at the Commercial Registry.
- Representative offices have no formal managing bodies, the representative of each office performs the activities of the representative office by virtue of the powers granted to that representative.

As regards the main employment and tax aspects of representative offices, please see the corresponding sections in [chapters 3](#) and [5](#).

7. Other alternatives for operating in Spain

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7.1 FORMS OF BUSINESS COOPERATION

One of the most common forms of business cooperation between companies is the joint venture (J.V.). Spanish law does not expressly regulate this mechanism, as it is an atypical contract that finds its basis in the principle of freedom of contract provided for in article 1255 of the Civil Code.

Under the current legislation, the main forms through which a joint venture may be set up between one or more parties are as follows:

- a. Through a temporary business association (see [section 7.2](#) below),
- b. As an economic interest grouping (see [section 7.3](#) below),
- c. Through a silent participation agreement (see [section 7.4](#) below),
- d. By setting up a company (see [section 7.5](#) below).

7.2 TEMPORARY BUSINESS ASSOCIATIONS (UTES)

- **Concept/purpose:** under Spanish law, UTEs are temporary business alliances set up for a specified or unspecified period of time, for the purpose of carrying out a specific project or service. UTEs allow several companies to operate together on one common project. This form of association is very common for engineering and construction projects but can be used in other sectors as well.

- **Legal personality:** UTEs are not companies in the strict sense and have no legal personality.
- **Fiscal transparency regime:** while they have no legal personality, in order to qualify for the special fiscal transparency regime provided for UTEs, their formation must be recorded in a public deed and they must be registered on the Special Register of UTEs at the Spanish Ministry of Finance. Furthermore, they must comply with bookkeeping and accounting requirements similar to those of Spanish companies. They may be also registered at the Commercial Registry. Formalities for formalization of a UTE are similar to those for a company or branch, adjusted to reflect the special characteristics of this type of arrangement.
- **Regulation:** UTEs are governed by Law 18/1982 on the Tax Regime of Temporary Business Groupings and Associations and Regional (Industrial) Development Companies, amended, among others, by Law 12/1991, Law 43/1995 and Law 62/2003.

7.3 ECONOMIC INTEREST GROUPINGS (EIGs)

- **Concept/purpose:** EIGs are created with a view to facilitating the pursuit or enhancing the profitability of the activities of their members. EIGs may not act on behalf of their members nor may they substitute them in their operations. Consequently, the EIG is most commonly used to provide secondary services, such as centralized purchasing, sales, information management or administrative services, within the context of a broader association or group of companies.

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- **Legal personality:** one of the key differences between UTEs and EIGs is that EIGs are commercial entities with a separate legal personality.
- **Formation requirements:** Spanish law sets out certain requirements for the formation of EIGs:
 - They may not interfere with their members' decisions on personnel, finance or investment matters, nor are they allowed to manage or control the activities of their members.
 - They may not directly or indirectly hold stakes in their member companies, unless it is necessary to acquire shares or holdings in order to fulfill the EIG's purpose, in which case the shares or holdings must be transferred immediately to its members.
 - They must be formed by notarial deed and registered at the competent Commercial Registry.
- **Member liability:** EIG members are considered personally and jointly and severally liable for the entity's debts, albeit secondarily to the EIG's liability. Their main obligation is to contribute to the EIG's capital on the agreed terms and to share in its expenses.
- **Governing bodies:**
 - The members' meeting, and
 - The managers, who are jointly and severally liable with the EIG for all tax obligations accrued and for any damage caused, unless they are able to prove that they acted with due diligence.
- **Regulation:** EIGs are mainly governed by Economic Interest Groupings Law 12/1991, of April 29.

- **European Economic Interest Grouping (EEIG):** this has a separate legal identity, with the characteristics regulated by EU Council Regulation (EEC) 2137/85, which establishes the basic rules governing EEIGs.

7.4 SILENT PARTICIPATION AGREEMENT (C.E.P.)

- **Concept:** the existence of this form of business association, which is not subject to any legal formality at all, can be evidenced by any of the means permitted by law, in accordance with the provisions of article 51 of the Commercial Code. It consists of a financial collaboration whereby one or more entrepreneurs (silent partners) take an interest in the operations of another (the active partner), contributing an agreed portion of capital to the active partner and sharing in the profits or losses in the proportion determined by them.
- **Contributions:** the contributions, whether cash or in kind, do not qualify as capital contributions as such, but rather simply represent the right of the silent partner(s) to share in the results of the business concerned. Silent partners are therefore not shareholders of the active partner.
- **Formal requirements:** as provided in the Commercial Code, this type of agreement does not require any legal formality to be fulfilled (public deed or registration at the Commercial Registry). However, in practice, the parties tend to record the agreement in a public deed in order to provide proof to third parties.
- **Regulation:** articles 239 through 243 of the Commercial Code, contained in Title II "Silent Participation Agreements" (Book II of the Commercial Code).

7.5 PARTICIPATING LOANS

- **Concept:** it is a form of financing for companies subject to the terms and conditions described below.
- **Contributions:** as with a Silent Partnership Agreement, the funds corresponding to the principal of the participating loan are not considered share capital and therefore the lender is not considered a shareholder. However, participating loans will be considered equity for the purposes of determining whether the company is subject to a ground of mandatory capital reduction²⁸ or of mandatory winding-up²⁹. In addition, in the order of payment of debts, participating loans rank below ordinary creditors.

²⁸ In accordance with article 327 of the Capital Companies Law, "in a public limited company, a capital reduction shall be mandatory where losses have reduced its equity to below two-thirds of its share capital and a fiscal year has elapsed without equity have been restored".

²⁹ In accordance with article 363.1e) of the Capital Companies Law, a capital company must be wound up "as a result of losses that reduce its equity to an amount below half of its share capital, unless the share capital is sufficiently increased or reduced, and provided that it is not appropriate to petition for an insolvency order". However, by virtue of Royal Decree-Law 1/2025, of January 28, 2025, losses from the effects caused by the DANA flash floods will not be taken into account when determining whether the company is subject to a ground of mandatory winding-up. Consequently, the notes to the financial statements for 2024 and subsequent years must include the information necessary to correctly identify the losses excluded from the calculation made for the purposes of the ground for winding-up. In addition, by virtue of article 13 of Law 28/2022, promoting the start-up ecosystem (known as the "Start-ups Law"), the ground of winding-up due to losses will not apply to start-ups (meaning companies that meet the requirements set out in article 3 of the same law, which were developed by means of Order PCM/825/2023, of July 20, 2023, regulating the criteria and procedure for the certification of start-ups that give access to the benefits and specialties recognized in the Start-up Law) whose net worth has been reduced to less than one-half of the capital stock, provided that it does not arise from petitioning for an insolvency order, until three years have elapsed since the start-up was formed.

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7.6 JOINT VENTURES THROUGH SPANISH CORPORATIONS OR LIMITED LIABILITY COMPANIES

A significant number of joint ventures use corporations and limited liability companies as vehicles. Therefore, we recommend

- **Interest:** the lender will receive variable interest which will be determined on the basis of the business performance of the borrower. The indicator for determining said performance will be: net income, business volume, total equity or such other indicator as may be freely agreed upon by the parties. The parties may also agree on a fixed interest rate not related to the performance of the business.
- **Repayment:** the parties may agree to a penalty clause in the case of early repayment. In any event, the borrower may repay the participating loan early only if the repayment is offset by an increase in equity of an equal amount and if it does not arise from the revaluation of assets.
- **Tax implications:** any fixed and variable interest that accrues on or after January 1, 2015 as a result of the arrangement of participating loans³⁰ will be deductible for corporate income tax purposes, unless the interest arises from participating loans in which the lender and borrower are companies in the same group within the meaning of article 42 of the Commercial Code. Such deduction is subject, however, to the restrictions on the deductibility of finance costs laid down in article 16 of the Corporate Income Tax Law. (For more information, see [section 2.1.2.4 of chapter 3](#)).
- **Regulation:** article 20 of Royal Decree-Law 7/1996, on urgent measures of a tax nature and for the promotion and deregulation of economic activity.

reading the comments made in other sections of this Guide on the formation, basic characteristics and features of the corporate bodies of corporations and limited liability companies. (See this chapter and [annex I](#)).

7.7 DISTRIBUTION, AGENCY, COMMISSION AGENCY AND FRANCHISING AGREEMENTS

There are various ways to operate in Spain without having to set up a company or enter into an association with other existing entities or establish a physical center of operations in Spain, including most notably the following.

7.7.1 DISTRIBUTION AGREEMENTS

Distribution agreements are an interesting alternative to forming a company or branch or entering into commercial cooperation agreements with previously existing businesses given the low initial investment required. There are several types of distribution agreement. Given the current lack of specific legislation on this area, many such agreements allow the parties broad discretion to decide on their contents.

In practice, distribution agreements are often confused with agency agreements. Nevertheless, they are different and have distinct regulations and characteristics.

- **Concept:** under a distribution agreement, one of the parties (the distributor) undertakes to purchase goods belonging to the other party for resale.

Distributors are legal entities that form an intrinsic, albeit not truly integrated, part of the commercial network of the supplier, united by a business relationship and a shared desire to increase sales.

- **Classification:** there are three main categories according to the types of distribution networks or system:

- Commercial concession or exclusive distribution agreements.

The supplier not only undertakes not to provide his products to more than one distributor within a specified territory, but also not to sell those products himself within the territory of the exclusive distributor.

- Sole distribution agreements.

The only difference between sole and exclusive distribution agreements is that under a sole distribution agreement, the supplier reserves the right to supply the agreed products to users in the territory in question.

- Authorized distribution agreements under the selective distribution system.

Owing to their nature, certain products require special treatment by distributors and sellers. The form of distribution used in both cases is called “selective distribution”, so-called because distributors are carefully selected on the basis of their capacity to handle technically complex products or to maintain a particular image or brand name.

³⁰ Only applicable to participating loans between group companies granted after June 20, 2014 (Transitional Provision Seventeen of the Corporate Income Tax Law).

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7.7.2 AGENCY AGREEMENTS

- **Concept:** article 1 of Agency Agreements Law 12/1992 transposed Directive 86/653/EEC into Spanish law and provides the following definition of agency agreements:

“Under an agency agreement, an individual or legal entity, known as an agent, agrees with another on a continuous or regular basis, in exchange for remuneration, to promote commercial acts or transactions for the account of another or to promote and conclude them for the account and in the name of others, as an independent intermediary and without assuming the risk and hazard of such transactions, unless otherwise agreed.”

Agents are independent intermediaries who do not act in their own name and behalf, but rather for and on behalf of one or more principals.

An agent must, of his own accord or through his employees, negotiate and, if required by contract, conclude on behalf of the principal, the commercial acts or operations he is instructed to handle. Agents are subject to a number of obligations, including the following:

- An agent cannot outsource his activities unless expressly authorized to do so.
- An agent is authorized to negotiate the agreements or transactions detailed in the agency agreement, but can only conclude them on behalf of its principal when expressly authorized to do so.
- An agent may act on behalf of several principals, unless the related goods or services are similar or identical and competing, in which case express consent is required.

- **Restraint-of-trade provisions:** restraint-of-trade provisions (i.e., provisions restricting or limiting the activities that can be carried out by the agent once the agency agreement has been terminated) have a maximum duration of 2 years as from termination of the agency agreement. However, if the agency agreement has been agreed to for a shorter period of time, the restraint-of-trade provision may not last longer than 1 year.

- **Obligations of the principal:**

- To act loyally and in good faith in its relations with the agent.
- To provide the agent with all the documentation he needs to engage in his activity.
- To provide the agent with all the information required to perform the agreement.
- To pay the agreed compensation.
- To accept or reject transactions proposed by the agent.

- **Compensation:** one of the essential elements of the agency agreement is that the agent's work must always be compensated. The compensation may consist of a fixed amount, a commission or a combination of both systems.

7.7.3 COMMISSION AGENCY AGREEMENTS

- **Concept:** this is the mandate under which the authorized agent (commission agent) undertakes to perform or to participate in a commercial act or agreement on behalf of another (the principal). Commission agents may act:

- In their own name, acquiring rights against the contracting third parties and vice versa, and
- On behalf of their principal, who acquires rights against third parties and vice versa.
- Main obligations of commission agents:
 - To protect the interests of their principals as if they were their own and to perform their engagement personally. Commission agents may delegate their duties if authorized to do so and may use employees at their own liability.
 - To account for amounts that they have received as commission, to reimburse any excess amount and to return any unsold merchandise.
 - In general, commission agents are not liable to their principal for the performance of the related agreements by third parties, although this risk can be secured by a commission del credere.
 - Commission agents are barred from buying for their own account or for the account of others, without the consent of their principal, the goods that they have been instructed to sell, and from selling the goods that they have been instructed to buy.

- **Commission:** the principal undertakes to pay a commission and to respect the retention and preference rights of the commission agent. The claims of the commission agent against the principal are protected by the right to retain the goods.

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Differences and similarities between agency agreements and commission agency agreements

- **Main similarity:** in both cases, an individual or legal entity undertakes to pay another compensation for arranging a business opportunity for the former to conclude a legal transaction with a third party, or for acting as the former's intermediary in concluding the transaction.
- **Main difference:** agency agreements involve an engagement on a continuous or regular basis, whereas commission agency agreements involve occasional engagements.

7.7.4 FRANCHISING

- **Concept:** franchising is a system for marketing goods and/or services and/or technology. It is based on close, ongoing cooperation between independent undertakings (the franchisor and its individual franchisees). Under this system, the franchisor grants a right to, and imposes an obligation on, its individual franchisees, for a specific market, to pursue the business or commercial activity previously carried out by the former with sufficient experience and success, using the concept and system defined by the franchisor.

In return for a direct and/or indirect consideration, this right entitles and obliges individual franchisees to use the brand name and/or trade or service mark for the goods and/or services, the know-how and the technical and business methods, which must be specific to the business, material and unique, the procedures and other intellectual property rights of the franchisor, backed by the ongoing provision of commercial and technical assistance under, and during the term of, the relevant franchising agreement between the parties, all of the

above regardless of any supervisory powers conferred on the franchisor by contract.

Commercial concession or exclusive distribution agreements will not necessarily be considered franchises where an entrepreneur undertakes to acquire products (usually brand products) under certain exclusive rights in an area in order to resell them, again under certain conditions, as well as to offer after-sale services to purchasers of the products.

In addition, the following are not considered to be franchises: (i) the grant of a manufacturing license, (ii) the licensing of a registered trademark to be used in a particular area, (iii) transfers of technology or (iv) a license to use a commercial emblem or logo.

- **Legislation:** the applicable Spanish legislation is (i) *Law 7/1996, of January 15, regulating retail trade, regarding the basic conditions for carrying on franchise activity and creating the Register of Franchisors* (as amended by Law 1/2010, of March 1), (ii) *Royal Decree 201/2010, of February 26, regulating the exercise of the commercial activity under a franchise arrangement and the communication of information to the Register of Franchisors*, and (iii) *Royal Decree 378/2003, which refers to Regulation (EC) No. 2790/1999, of December 22, 1999, relating to the application of article 81(3) of the Treaty to certain categories of vertical agreements and concerted practices and Regulation (EC) no. 1400/2002, of July 31, 2002, for the motor vehicles sector*.
- **Registration:** Royal Decree-Law 20/2018 of December 8, 2018, eliminates the Register of Franchisors. In accordance with Royal Decree 553/2019, of September 27, 2019, the only current requirement is for the franchisor – at least 20 business days prior to the signature of any franchise agreement or

preliminary agreement or the delivery by the future franchisee to the franchisor of any payment – to deliver to the future franchisee in writing the information it needs to be able to decide in a free and informed manner whether it will join the franchise network and, in particular, (i) the main identifying particulars of the franchisor, (ii) a description of the sector of the business being franchised, (iii) the experience of the franchise company, (iv) the contents and characteristics of the franchise and its operation, (v) the structure and scope of the network, and (vi) the essential elements of the franchise agreement.

- **Types of franchising agreement:** industrial franchising agreements (for the manufacture of goods), distribution franchising agreements (for the sale of goods) and service franchising agreements (relating to the provision of services).

The advantages offered by a franchising agreement include the fact that a franchising agreement is a form of product and/or service distribution that enables a uniform distribution network to be swiftly created with limited investment. Franchising also enables independent traders to set up installations more rapidly and with greater chances of success than if they did so themselves without the know-how and assistance of the franchisor.

Antitrust law requirements must be thoroughly considered when defining the content of franchising agreements.

According to the experts, franchising has seen spectacular growth in Spain in recent years, giving rise to what is now a well-established franchising system.

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8. Other alternatives for investing in Spain

8.1 ACQUISITION OF SHARES OF AN EXISTING CORPORATION OR OF A LIMITED LIABILITY COMPANY

The following table summarizes the fundamental legal steps involved in the acquisition of shares of an existing corporation or limited liability company:

FORMALITY	S.A.	S.L.
Attestation by public authenticating officer	Necessary where required by Spanish law or by the bylaws or where so agreed by the parties.	Always required.
Documentation to be provided to the notary	- Title to the shares being transferred. - Powers of attorney, as the case may be, to appear in the name of the buyer or seller, as appropriate. If the powers of attorney were granted abroad, they must be duly legalized (See requirement 5 under section 4 above). - NIE/NIF or Spanish national identity card of the buyer and the seller (see section 3 above). - Declaration regarding the beneficial owner, from both the buyer and the seller, if legal entities: a notarial document containing representations by the beneficial owner may be provided or a declaration made in the deed itself (see requirement 4 under section 4 above). - Documentary evidence of payment and how the payment was made (specifically, if the price was received before execution of the deed, the amount and whether it was paid by check or any other money transfer document, or by bank transfer).	
Subsequent declaration of the investment to the DGCI	Filing of form D-1A at the Ministry of Industry and Tourism. This form must include the protocol number and date of the public document formalizing the investment, must be signed by telematic means by the individual or legal entity making the investment and countersigned by the public authenticating officer, and filed by telematic means via the website of the Directorate-General for International Trade and Investments (DGCI). In some cases, a prior declaration is required (see chapter 1, section 8 for further information).	
Payment of transfer tax and stamp tax under the “transfers for consideration” heading	See chapter 3 .	
Costs	Depending on the Spanish public authority before which the acquisition is made: - Notary fee: the scale applicable for the formation of a branch is also applicable here. - Fee of Spanish Consul abroad: the fee will be determined in the legislation in force on notarial fees.	
Financial transactions tax (Tobin Tax)	The financial transactions tax (Tobin Tax) is intended to levy 0.2% on transactions for acquiring the shares of listed Spanish companies with market capitalizations above €1,000 million, regardless of the places of residence of the agents acting in those transactions, and will not affect the primary market, transactions necessary for the functioning of market infrastructure, company restructuring transactions, transactions taking place between companies in the same group, or temporary transfers. The taxable person will be the acquirer of the shares. The party required to pay over the tax to the Tax Agency (regardless of the place where such party is established) will, depending on the various cases envisaged in the law, be the member of the market that executes the acquisition on behalf of others, the investment services company or credit institution that makes the acquisition on its own behalf, the financial intermediary, the systematic internalizer or, in the last case, the depository. The assessment of the tax will be monthly.	

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In relation to this form of investment, it should be noted that shareholders of limited liability companies or corporations (except for (i) listed companies, companies whose shares are admitted to trading on a multilateral trading facility, (ii) companies in situations of insolvency or pre-insolvency, (iii) sports corporations) are recognized a right of withdrawal in the event of a failure to distribute dividends once the fifth fiscal year since the company was registered at the Commercial Registry has elapsed, and (iv) credit institutions, credit financial establishments, investment services firms, payment institutions, electronic money institutions, financial holding companies and mixed financial holding companies.

The requirements for shareholders to be able to exercise the right of withdrawal (within one month after the shareholders' meeting was held) are as follows:

- The shareholder's protest due to the insufficiency of dividends recognized must be recorded in the certificate of distribution of income,
- The shareholders' meeting must not approve the distribution as a dividend of at least 25% of the income obtained in the preceding year where such income is legally distributable, provided that the company has not obtained income in the past three fiscal years, and
- The total amount of dividends distributed in the past 5 years must be less than 25% of the legally distributable income recorded in that period.

Also, even if the above requirements are not met, this right of withdrawal is granted to the shareholder of the parent company of the group where the company in question is required to prepare consolidated financial statements, where: (i) the shareholders of the company do not approve the distribution

as a dividend of at least 25% of the consolidated income attributed to the parent company in the prior year, provided that it is legally distributable, and (ii) consolidated income attributed to the parent company has been obtained in the past three fiscal years.

8.2 ACQUISITION OF REAL ESTATE LOCATED IN SPAIN

Set out below are the main legal formalities to be performed for the acquisition of real estate located in Spain:

FORMALITY	ACQUISITION OF REAL ESTATE LOCATED IN SPAIN
Attestation by public authenticating officer	The acquisition must be formalized before a Spanish notary or Spanish Consul abroad.
Documentation to be provided to the notary	- Title to the property. - Powers of attorney, as the case may be, to appear in the name of the buyer or seller, as appropriate. If the powers of attorney were granted abroad, they must be duly legalized (See requirement 5 under section 4 above). - NIE/NIF or Spanish national identity card of the buyer and the seller. - Declaration regarding the beneficial owner, both for the buyer and the seller, if legal entities: a notarial document containing representations by the beneficial owner may be provided or a declaration made in the sale and purchase deed itself (see requirement 4 under section 4 above). - Documentary evidence of payment and how the payment was made (specifically, if the price was received before execution of the deed, the amount and whether it was paid by check or any other money transfer document, or by bank transfer).
Subsequent declaration of the investment to the DGCI	In some cases, prior declaration is required (see chapter 1, section 8 for further information).
Taxes	See chapter 3 .
Registration at the relevant Property Registry	The acquisition must be registered at the relevant Property Registry as soon as the sale and purchase deed has been formalized and the related taxes have been paid in order to ensure that acquirer's property rights are duly protected.
Costs	- Notary fee: the scale applicable for the formation of a subsidiary is also applicable here. - Fee of Spanish Consul abroad: the fee will be determined in the legislation in force on notarial fees. - Property Register fees: for guidance purposes, the official rates amount to €24 if the value of the property does not exceed €6,010, plus a variable rate of between 0.175% and 0.02%. The total fee is capped and may not exceed €2,181.

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8.3 ACQUISITION OF A BUSINESS

As an alternative to the sale and purchase of shares in Spanish companies, the investment in Spain could be made by acquiring

a business, either through an agreement for the sale and purchase of the assets and liabilities of a Spanish company, or through a global transfer of the assets and liabilities of a company.

	FORMALITY	SALE/PURCHASE OF ASSETS AND LIABILITIES	GLOBAL TRANSFER
Requirements		If the seller or buyer is a legal entity and the sale or purchase, respectively, are of an essential asset (i.e. the amount of the transaction exceeds 25% of the value of the assets that appear in the last approved balance sheet), the transaction must be approved by the shareholders' meeting of the selling company or of the buying company, as appropriate.	Under the new "Structural Modifications Law" (Royal Decree-Law 5/2023 of 28 June): • Global transfer plan, drawn up by the directors of the transferring company, • Report explaining and justifying the global transfer plan drawn up by the directors of the transferring company, • At least one month before the date of the general meeting which is to approve the global transfer, publication on the website of the participating companies of³¹: (i) the draft terms of the global transfer, (ii) the notice informing shareholders, creditors and representatives of the company's employees, or, where there are no such representatives, the employees themselves, that they may submit to the company, no later than five working days before the date of the general meeting, comments on the global transfer plan, and (iii) if applicable, the independent expert's report, • Approval of the global transfer by the shareholders of the transferring company, • Publication of the resolution on the global transfer approved by the shareholders of the transferring company in the Official Gazette of the Commercial Registry and in each of the companies' website, or, in the absence of such website, in a large circulation newspaper in the province where the transferring company has its registered office³², • Execution of a public deed before a notary (see formality below "Documentation to be provided to the notary"), • Registration at the Commercial Registry of the transferring company (effectiveness of the transfer) (see formality below "Registration at the appropriate Registry").
Attestation by public authenticating officer		The acquisition must be formalized before a Spanish notary or Spanish Consul abroad.	
Documentation to be provided to the notary		• Title of ownership of the assets. • Powers of attorney, if applicable, to appear on behalf of the seller and buyer, as appropriate. If granted abroad, it must be duly legalized (see requirement 5 of section 4 above). • Spanish NIE/NIF/DNI of the seller and buyer. • Declaration regarding the beneficial owner, both for the buyer and the seller, if legal entities: a notarial document containing representations by the beneficial owner may be provided or a declaration made in the sale and purchase deed itself (see requirement 4 under section 4 above). • Documentary evidence of payment and how the payment was made (specifically, if the price was received before execution of the deed, the amount and whether it was paid by check or any other money transfer document, or by bank transfer).	• Title of ownership of the assets. • Powers of attorney, if applicable, to appear on behalf of the transferor and transferee. If granted abroad, it must be duly legalized (see requirement 5 of section 4 above). • Spanish NIE/NIF of the transferor and transferee. • Declaration regarding the beneficial owner, both for the buyer and the seller, if legal entities: a notarial document containing representations by the beneficial owner may be provided or a declaration made in the global transfer deed itself (see requirement 4 under section 4 above). • Documentary evidence of payment and how the payment was made (specifically, if the price was received before execution of the deed, the amount and whether it was paid by check or any other money transfer document, or by bank transfer). • Certificate of the resolution of the shareholders' meeting or the decision of the sole shareholder of the transferring company approving the global transfer. • Notice of the transfer in the BORME and in a large circulation newspaper in the province where the registered office is located, if applicable.

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³¹ If the company or companies participating in the structural modification do not count with a website, the directors shall deposit the documents with their registered office's Companies Registry. Once the deposit has been made, the registrar shall notify the Central Commercial Registry, for immediate publication free of charge in the "Official Gazette of the Commercial Registry", of the deposit and the date on which it took place.

³² The resolution approving the global transfer need not be published where the resolution is notified individually in writing to all of the shareholders and creditors.

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FORMALITY	SALE/PURCHASE OF ASSETS AND LIABILITIES	GLOBAL TRANSFER
Subsequent declaration of the investment to the DGC	In some cases, prior declaration is required (see chapter 1, section 8 for further information).	
Taxes	See chapter 3	
Registration at the appropriate Registry	As soon as the purchase deed has been formalized before a notary and the related taxes have been paid, it will be necessary to register the immovable property at the appropriate Property Registry, as well as the movable property at the Movable Property Registry, in order to ensure that the acquirer's property rights are duly protected.	The transfer will take effect upon registration at the Commercial Registry pertaining to the registered office of the transferring company. If the company is extinguished as a result of the transfer, its registry entries will be cancelled. In addition, the directors of the participating companies must submit a copy of the global transfer plan for filing at the Commercial Registry.
Costs	• Notary fee: The scale applicable for the formation of a subsidiary is also applicable here. • Fee of Spanish Consul abroad: the fee will be determined in the legislation in force on notarial fees. • Property Register fees: for guidance purposes, the official rates amount to €24 if the value of the property does not exceed €6,010, thereafter rates of between 0.175% and 0.02% are applied. The total fee is capped and may not exceed €2,181. • Movable Property Registry fee: for guidance purposes, the fee amounts to €2.40 if the value of the property does not exceed €60, thereafter rates of between €6 and €13 apply up to a property value of €18,000. For any excess over €18,000, a fee of €1.20 will apply to each €3,000 of excess. • Commercial Registry fee: for guidance purposes, the fee amounts to €6.010121 if the value of the assets does not exceed €3,005.06, thereafter rates of between 0.1% and 0.005% apply. In any event, the overall fee may not exceed €2,181.673939.	

8.4 VENTURE CAPITAL ENTITIES

Another way to invest in Spain is to take up temporary stakes in the capital of companies established in Spain (i.e. non-real estate, non-financial and unlisted companies) by forming venture capital entities. Venture capital is defined as those investment strategies that channel financing directly and indirectly to companies, maximize the value of the company through management and professional advice, and divest from the company with a view to earning high gains for the investors. Through this channel, it is possible to invest both in start-up business projects (venture capital), and in already mature companies with a proven track record of profitability (private equity).

The current regulation of venture capital in Spain, contained in Law 22/2014 of November 12, regulating venture capital entities, other closed-end collective investment undertakings and the management companies of closed-end collective investment undertakings (the “**Venture Capital Law**”), relaxes the legislative framework for these entities with, among others, the aim of helping them to raise more funds to be able to finance a larger number of companies.

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9.1 COURT PROCEEDINGS

Judiciary Organic Law 6/1985, of July 1, regulates the constitution, operation and governance of courts and tribunals in Spain. For judicial purposes, the State is organized on a territorial basis into municipalities, judicial districts, provinces and Autonomous Communities, in which the Justices of the Peace, the Courts of First Instance, Examining Courts, Commercial Courts, Criminal Courts, Judicial Review Courts, Labor Courts, Provincial Appellate Courts and High Courts have jurisdiction. Upon the enactment of Organic Law 1/2025, dated January 2, concerning measures for the efficiency of the Public Justice Service (LOSPJ), which comes into effect on January 23, 2025, single-judge courts will be converted into Courts of Instance throughout the year 2025. These courts will be divided into sections, depending on the case, for civil, investigative, family, commercial, gender violence, criminal prosecution, juvenile, penitentiary surveillance, administrative litigation, and social matters. The Supreme Court and the National Appellate Court (*Audiencia Nacional*) (the latter only for certain specific matters) have jurisdiction over the entire national territory. The Supreme Court is the highest judicial authority with the sole exception of the guarantee of constitutional rights, which are safeguarded by the Constitutional Court.

Law 1/2000, the Spanish Civil Procedure Law, came into force on January 8, 2001. Criminal, labor and administrative proceedings are governed, respectively, by the Criminal Procedure Law approved by the Royal Decree dated September 14, 1882, Law 36/2011, of October 10, 2011, regulating the labor and social security jurisdiction, and Judicial Review Procedure Law 29/1998.

Although the Spanish litigation system should be considered as a continental law system, certain features of the Civil

Procedure Law have their roots in the common law system. An example of this is the predominance of the oral proceeding. The Civil Procedure Law reduces formalities and promotes more expeditious proceedings and a quicker and more efficient response from the courts.

Spain has signed numerous bilateral and multilateral treaties on the recognition and enforcement of foreign judicial decisions.

Effective April 3, 2025, it becomes mandatory to utilize an appropriate dispute resolution mechanism (“ADR”) before initiating a lawsuit in civil and commercial matters (except in specific areas expressly excluded by the LOSPJ). The ADR methods specified in the LOSPJ include: (i) mediation, (ii) conciliation, (iii) neutral opinion from an independent expert, (iv) confidential binding offer, (v) negotiation activities carried out directly by the parties or their attorneys, (vi) collaborative law processes, and (vii) any other negotiation activity recognized by law.

9.2 ARBITRATION

Arbitration is increasingly viewed as a genuine alternative for the settlement of commercial disputes. Companies, aware of the greater speed, efficiency and flexibility of arbitration compared to action before the courts, are increasingly keen to turn to arbitration. Furthermore, Spanish courts increasingly support arbitration, both in terms of arbitration agreements and the enforcement of arbitral awards.

Arbitration Law 60/2003 of December 23, 2003 (the “**Arbitration Law**”) enables both individuals and companies to enter into agreements to submit to one or more arbitrators any disputes that have arisen or may arise on matters the regulation of which is

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not subject to any legal restrictions. The Arbitration Law is almost entirely inspired by the UNCITRAL Model Law on International Commercial Arbitration.

The Arbitration Law allows for the granting of interim measures by the arbitrators. This power does not oust the jurisdiction of the courts under the Civil Procedure Law to grant interim measures while a decision is pending in an arbitration proceeding. The jurisdiction of courts and arbitrators to grant interim measures is concurrent, meaning that parties can request interim measures from the arbitral tribunal or from the court, without distinction.

Under the Arbitration Law it is possible to enforce an arbitral award handed down in Spain even where proceedings to set aside the award have already been brought. In this case, a court may only stay the enforcement of the award if the party against whom the award is being enforced posts security for an amount equal to the amount set out in the award, plus any potential damages arising from the delay in enforcement of the award.

The grounds for refusal to recognize or enforce arbitral awards contained in the Arbitration Law are based on the contents of the UNCITRAL Model Law, which in turn is based almost in its entirety on the New York Convention of 1958. Spain has ratified the New York Convention of 1958 and the European Convention on International Commercial Arbitration signed in Geneva on April 21, 1961.

Spain's adherence to a Model Law-inspired arbitration regime makes international arbitration in Spain more accessible for cross-border practitioners and their clients. The Arbitration Law brings Spain ever closer to becoming an ideal venue for international arbitration, particularly where Latin American interests are involved,

given Spain's convenient geographical location in southern Europe, its competitive cost structure compared to other European jurisdictions and its linguistic and cultural ties to Latin America.

The Madrid International Arbitration Center (CIAM by its Spanish abbreviation) began to operate in 2020 following the merger of the international activity of the Madrid Arbitration Court, the Civil and Commercial Arbitration Court and the Spanish Arbitration Court. The CIAM has the jurisdiction to administer two types of international arbitration proceedings: (i) arbitration proceedings arising from agreements in which the parties stipulate the Madrid International Arbitration Center as the administering court, and (ii) arbitration proceedings originating from agreements in which the parties consented to arbitration administered by any of the four propelling entities as administering institutions and which are signed on or after January 1, 2020.

In addition, since June 2019, a Code of Good Arbitration Practices has existed which seeks to ensure that participants in arbitration proceedings abide by increasingly demanding standards for independence, impartiality, transparency and professional conduct.

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WAYS OF INVESTING IN SPAIN	TAX TREATMENT
Incorporation of a subsidiary (Corporation (S.A.)/Limited liability company (S.L.))	General corporate income tax rules pursuant to the Corporate Income Tax Law (See chapter 3, section 2.1 for more detailed information).
Formation of a branch	Nonresident income tax, with permanent establishment (See chapter 3, section 2.3.1 for more detailed information).
Economic Interest Grouping (EIG), Temporary Business Alliance (UTE) and joint venture	Special rules for economic interest groupings, both Spanish and European, and temporary business alliances. In particular: • The part of the tax base attributable to members resident in Spain is not subject to corporate income tax. • The tax bases, tax credits and tax relief and the withholdings and prepayments of EIGs or UTEs are attributed to the resident members. • Dividends distributed to nonresident members of Spanish EIGs or UTEs will be taxed pursuant to the Nonresident Income Tax Law and to the tax treaties signed by Spain. (See chapter 3, sections 2.1.13 for more detailed information).
Distribution agreement	The tax treatment of nonresidents in Spain who contract with Spanish distributors will depend on whether or not said contracting gives rise to the existence of permanent establishment in Spain for the nonresidents: • If a permanent establishment exists, it will be taxed according to the rules on permanent establishments stipulated under the Nonresident Income Tax Law or in the applicable tax treaties (See chapter 3, section 2.3.1 for more detailed information). • If a permanent establishment does not exist, it will be taxed pursuant to the rules set in Nonresident Income Tax Law for taxpayers without a permanent establishment. In general, the income will be characterized as business profits, which are usually exempt where a tax treaty can be applied. (See chapter 3, section 2.3.2 for more detailed information). Whether or not a permanent establishment exists will depend, in general, on whether the nonresident is deemed to be distributing in Spain through a fixed place of business or an independent agent.
Agency agreement	The tax treatment is similar to that stipulated for distribution agreements. Whether or not a permanent establishment exists will depend, in general, on whether or not the agent has powers to bind the nonresident. • Where a permanent establishment exists (See chapter 3, 2.3.1 for more detailed information). • Where a permanent establishment does not exist, (See chapter 3, section 2.3.2 for more detailed information).
Commission agency agreement	The tax treatment is similar to that stipulated for distribution and agency agreements. Whether or not a permanent establishment exists will depend, in general, on whether or not the commission agent has powers to bind the nonresident principal. • Where a permanent establishment exists (See chapter 3, section 2.3.1 for more detailed information). • Where a permanent establishment does not exist (See chapter 3, section 2.3.2 for more detailed information).

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WAYS OF INVESTING IN SPAIN	TAX TREATMENT
Franchising agreement	The payment made by the franchiser to the franchisee may be given the following treatments, depending on the services provided and rights granted: • It may be treated in part as a royalty and in part as business profits, or • It may be treated only as a royalty. (See chapter 2, section 7.7.4 for more detailed information).
Sale and purchase of business (assets and liabilities or global transfer of assets and liabilities)	The main tax implications in a sale and purchase of a business relate to VAT, transfer tax under the “transfers for consideration” heading and stamp tax. Accordingly: • If all of the transferred assets and liabilities can be considered an independent economic unit, the sale and purchase will not be subject to VAT. In this case, if the transferred assets include real estate, the transfer of these assets will be subject to transfer tax under the “transfers for consideration” heading. • If all of the transferred assets and liabilities cannot be considered an independent economic unit, the sale and purchase will be subject to VAT. In this case, an analysis will have to be performed as to whether the transferred assets qualify for any exemption. If any of the transferred assets can be registered and the transaction is recorded in a public deed, stamp tax will also be triggered.

GARRIGUES



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3 Tax System

The Spanish tax system is modern and competitive. The tax burden in Spain, (i.e. tax and social security contributions, measured as a percentage of GDP), is three points lower than the average ratio for the EU-27 zone*.

The Spanish Tax Agency (AEAT), which has been recognized as one of the most innovative and efficient tax agencies in the world,

offers taxpayers a broad range of services to facilitate the fulfillment of their tax obligations. For this purpose, among other measures, it provides the taxpayers with computer programs that facilitate the preparation of their tax forms and promotes its electronic submission and payment, by using an electronic official certificate.

The main taxes of the Spanish tax system are analyzed in this chapter.

* Total tax revenue (including social security contributions). 2023 in % of GDP
Source: [Statistics | Eurostat](#)

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The Spanish tax system is modern and competitive. The Spanish State Tax Agency has distinguished itself through its technological leadership within the Government. Moreover, it is one of the most modernized European tax agencies, in the vanguard of offering electronic public services, such as the possibility of obtaining tax certificates or filing tax returns online (indeed, online filing is obligatory in many cases).

This tax system comprises three kinds of taxes: *impuestos* (true taxes), *tasas* (dues and fees) and *contribuciones especiales* (special levies). The *tasas* and *contribuciones especiales* are collected in return for a public service provided by the authorities or for any type of benefit as a result of public works or services.

From a territorial perspective, taxes in Spain are levied by the Central Government, by the Autonomous Communities (regional) and by local authorities. Due to their relevance, this chapter concentrates exclusively on the taxes levied by the Central Government (whether or not they are administered and collected by the Central Government itself or by regional and local authorities), albeit with a brief reference to the special regimes applicable in the Canary Islands, the Basque Country and Navarra.



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2. Central government taxes



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The main national taxes in Spain can be classified as follows:

Direct taxes:

- On income:
 - Corporate Income Tax (CIT).
 - Personal Income Tax (PIT).
 - Nonresident Income Tax (NRIT).
- On assets (affecting only individuals):
 - Wealth tax. There is also the new Solidarity Tax on Large Fortunes, which was initially intended as a temporary measure, applicable in 2022 and 2023, although it now appears that it is to be maintained indefinitely.
 - Inheritance and gift tax (IGT).

Indirect taxes:

- Value added tax (VAT).
- Transfer tax and stamp tax.
- Excise taxes.
- Customs duties on imports.
- Tax on insurance premiums.

Given its importance, we refer herein to the formal reporting obligation relating to assets and rights held abroad (introduced for the first time for year 2013 in relation to the assets and rights owned in 2012).

2.1 CORPORATE INCOME TAX¹

The regulation of CIT, for fiscal years starting on or after January 1, 2015, is basically contained in Corporate Income Tax Law 27/2014, of November 27, and in Royal Decree 634/2015, of July 10, approving the Corporate Income Tax Regulations.

The basic legislation applicable for tax periods commencing as from January 1, 2025 is summarized below. For more detailed information on the legislation applicable to fiscal years beginning before that date, we refer the reader to the Guide corresponding to the year in question.

Effective for fiscal years starting on or after January 1, 2024, Law 7/2024, of December 20, 2024, has been enacted transposing into Spanish Law Council Directive (EU) 2022/2523 of December 15, 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union (Pillar 2). This law was published in the Official State Gazette on December 21, 2024, and will be analyzed below in [section 2.18](#).

2.1.1 TAX RESIDENCE

The key factor in determining the application of CIT is "residence". A company is deemed to be resident in Spain for tax purposes if it meets any of the following conditions:

- It was incorporated under Spanish law.
- Its registered office is located in Spain.
- Its place of effective management is in Spain.

¹ | [Exhibit I: Tax incentives for investment](#)



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The Tax Administration can presume that entities, theoretically resident in tax havens or territories with zero taxation, have their tax residence in Spain when their principal assets directly or indirectly consist of property situated in Spain or rights that are exercised there, or when their principal activity is carried on in Spain, unless it is proven that their administration and effective management are handled in another country or territory and that their establishment and operation in Spain are for valid and compelling commercial and business reasons and not just as a means of managing securities or assets.

Until recently, the list of tax havens was regulated by Royal Decree 1080/1991 of July 5.

In 2015, however, the Directorate-General of Taxes published a report on the validity of the list of tax havens, affirming that such list must be updated expressly (i.e. not automatically), in accordance with the criteria set out in the relevant rules.

Moreover, effective as from July 11, 2021, the concept of the tax haven was replaced by that of the non-cooperative jurisdiction, applicable to any jurisdiction included on the list approved by the corresponding ministerial order.

The following aspects of the non-cooperative jurisdiction concept are noteworthy:

- a. Compatibility with the tax treaties: the concept of non-cooperative jurisdiction will be compatible with the existence of a tax treaty signed by Spain and such jurisdiction, to the extent the provisions of the tax treaty are observed.
- b. Updating of the list: the list can be updated to include or exclude jurisdictions, pursuant to the criteria of the working

groups of the EU or the OECD (the Code of Conduct on Business Taxation and the Forum on Harmful Tax Practices of the OECD, respectively), on the basis of criteria relating to (i) the tax transparency of the jurisdiction in question, (ii) whether the jurisdiction promotes the execution or existence of offshore instruments or companies that attract profits which do not reflect an actual economic activity (offshore regimes), and (iii) whether there is low or nil taxation in such jurisdictions.

For this purpose, Order HFP/115/2023 of February 9, 2023, was published in 2023, setting out the countries and territories, and the harmful tax regimes, which are classed as non-cooperative jurisdictions. This order took effect on February 11, 2023, except in the case of countries or territories included in the list for the first time, in respect of which it came into force on August 11, 2023.

In order to determine the tax liability of corporate income taxpayers, however, regard must also be had to the provisions of Spain's tax treaties with other countries which, where applicable, can affect the determination of taxation in Spain.

Taxation of nonresident entities is regulated separately under the Revised Nonresident Income Tax Law approved by Legislative Royal Decree 5/2004, of March 5, amended by Law 26/2014, of November 27. This tax was mainly implemented in regulations through Royal Decree 1776/2004, of March 5. The most important aspects of nonresident income tax (NRIT) legislation are discussed in [section 2.3](#).

The following section is structured in the same way as the CIT assessment.

2.1.2 TAXABLE INCOME

There are three methods for determining taxable income: the direct assessment method, the indirect assessment method and the objective assessment method.

Under the direct assessment method (which is generally applicable), taxable income is defined as the difference between period revenues and period expenses. Taxable income is based on the income disclosed in the financial statements. However, as a result of applying accounting principles, at times the book income cannot be deemed representative of the taxpayer's actual contribution capacity and, thus, must be adjusted by applying the tax principles established in the legislation of the tax.

In general, the expenses relating to the business activity are deductible if they are properly accounted for and justified, and if the timing of recognition is that established in the tax legislation.

The main criteria for calculating the taxable income are as follows:

2.1.2.1 REVENUE AND EXPENSE ALLOCATION CRITERIA

a. General rules and principles

The tax principles for allocating revenues and expenses to determine taxable income generally coincide with accounting principles. In this regard, the method generally applicable for recognizing revenue and expenses is the accrual method.

As an exception, expenses recorded in a fiscal year subsequent to their accrual, or revenues recorded in a fiscal year prior to their accrual, are allocated for tax purposes in the year in which they are recorded, as long as this does not give rise to lower



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taxation than that which would have applied had the expenses and revenues been accounted for using the accrual method. The tax authorities have been ruling that there is lower taxation when expenses incurred in statute-barred years are deducted in later periods.

For certain operations (such as sales in which payment of the price is deferred) the possibility is envisaged of companies being able to apply allocation criteria other than the accrual method.

In the event of applying allocation criteria which differ from those envisaged in the tax rules, it must be demonstrated that there are grounds to substantiate such an approach and the criteria to be applied must be approved by the tax authorities.

The above notwithstanding, the accounting recognition principle must be complied with, meaning that all expenses must be recorded for accounting purposes in order to qualify for deduction (subject to certain exceptions such as unrestricted depreciation).

For tax purposes, in the event of any conflict between an accounting principle and a principle applicable for tax purposes, it is the latter which must prevail.

b. Time limits on the deductibility of certain losses

The law imposes time limits on the allocation of certain types of losses. These are therefore losses which, rather than being included in the tax base when incurred, are included later on, and in some cases are reduced in order to avoid situations of non-taxation.

For example:

b.1. **Losses generated on intra-group transfers** of shares or holdings, property, plant and equipment, investment property, intangible fixed assets, debt securities and permanent establishments abroad are not deductible.

As a general rule, these losses are to be included in the tax period in which (i) the assets are transferred to third parties not related to the group, (ii) the acquiring or transferring entities cease to form part of the group, (iii) the assets are deregistered by the acquirer, or (iv) the activity of the establishment ceases or the transferred company is dissolved (except in the case of a restructuring). In the case of amortizable assets, the loss may be included during the remaining useful life, applying the amortization method used up to that date.

For the inclusion of losses generated on intra-group transfers of shares or holdings in entities or on the transfer of permanent establishments, there are a series of special rules applicable which will be set out in [section 2.1.6](#).

b.2. **Impairment losses** on tangible fixed assets, investment properties and intangible fixed assets, including goodwill, equity instruments and debt securities (fixed income) do not qualify for deduction.

These impairment losses are deductible:

- In the case of non-amortizable fixed assets, in the tax period in which such assets are transferred or deregistered.
- In the case of amortizable assets forming part of the property, plant and equipment, in the tax periods of remaining useful life, applying the amortization method used in relation to those assets, unless they

are transferred or deregistered previously, in which case they will be included on occasion of that transfer or deregistration.

There are a series of special rules applicable in respect of impairment losses on holdings in entities, which will be set out under [section 2.1.6](#).

b.3. **Certain provisions which have generated deferred tax assets (DTAs)²** are in general to be included in the tax base, subject to a limit of 70% of the positive tax base prior to their inclusion, to the application of the capitalization reserve, and to the offset of tax losses. Specifically, this regime applies to the following provisions:

- The provisions recorded for impairment of receivables or other assets derived from insolvency of debtors not related to the taxpayer, not owed by public law entities, and which have not been deducted due to the elapsing of the six-month period since their maturity.
- The provisions or contributions to employee welfare systems and, as the case may be, pre-retirements that have not been deductible.

The general limit of 70% does not apply to entities whose net revenues for the 12 months immediately preceding the start of the tax period amounts to at least €20 million. In these cases, the limits are lower:

² DTAs can, in certain circumstances and subject to certain requirements being met, be converted into receivables from the tax authorities. Starting in fiscal year 2016, monetization requires having generated taxable income in the year when the provisions are recorded or otherwise, with respect to provisions of fiscal years 2008-2015, the payment of a monetary amount is made if there is not sufficient net tax payable.



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- 50% where net revenues amount to between €20 and €60 million.
- 25% where net revenues amount to over €60 million.

2.1.2.2 INTERNACIONAL “FISCAL TRANSPARENCY” REGIME (“CONTROLLED FOREIGN CORPORATIONS” PROVISIONS)

Under CIT rules, tax is levied on the “obtainment of income”, however, under fiscal transparency rules, tax is levied not on the income actually obtained by the taxpayer but on that obtained by a nonresident entity in which the taxpayer owns a holding, where certain circumstances are present. In short, it is an **attribution (pass-through) regime**.

The fiscal transparency regime applies where:

- The taxpayer (Spanish company) on its own or jointly with related persons or entities, holds 50% or more of the capital stock, equity, voting rights or results of the nonresident company,
- The tax (CIT or similar) paid by the nonresident on the attributable net income must be less than 75% of that which would have been payable under Spanish regulations.

The attribution must be done by the entity that meets the holding requirement mentioned, where it owns a stake directly or indirectly in the nonresident entity. In this last case, the income to be attributed will be that relating to the indirect holding.

The income to be attributed will be the following:

a. Case I: total attribution of the income of the nonresident entity

The whole income shall be attributed where the nonresident entity does not have an organization of material and human resources to carry out its activity, even where its transactions are recurrent. However, this case will not apply if it is proven that the transactions are carried out with the material and human resources existing at the nonresident entity that belongs to the same group, within the meaning of article 42 of the Commercial Code, irrespective of its residence and of the obligation to prepare consolidated financial statements, or if its formation and operations are based on valid economic reasons.

Moreover, until fiscal year 2020, the income of the nonresident entity that corresponded to dividends, shares in income or gains on the transfer of holdings were not attributed if certain conditions were met³. For the fiscal years initiated on or after January 1, 2021, this income is included in the tax base without any exceptions, provided the conditions regarding percentage holding and taxation mentioned previously are met.

The nonresident entity's income consisting of dividends, shares in income or gains on transfers of holdings must be recognized in the taxpayer's taxable income without further particularities. This amount will be reduced, in respect of management expenses relating to such holdings, by 5% of the amount of the dividend distributed or of the share in income or, in the case of a gain on the transfer of holdings, by the amount of the corporate income that, without actual distribution, relates to gains that would have been attributed to the shareholders as gains on their shares or holdings during the period in which they were owned. This reduction

will not be applicable at entities with net revenues below €40 million, subject to the same conditions and requirements as those which will be discussed for the purposes of the limit on the exemption regime in [section 2.1.5.3](#).

b. Case II: partial attribution of the income of the nonresident entity (in general, passive income)

In the rest of cases in which the transparency rules apply, the taxpayer must attribute in its tax base only the income of the nonresident entity or permanent establishment⁴ deriving from:

- Ownership of real estate or rights in rem on them, unless such real estate is used for a business activity or has been assigned to another nonresident group company (as defined in article 42 of the Commercial Code).
- Share in equity and transfer to third parties of capital (with certain exceptions, such as financial assets held in order to meet statutory requirements, etc.)⁵.
- Capitalization and insurance operations, the beneficiary of which is the entity itself.
- Industrial and intellectual property, technical assistance, movable property, image rights and lease or sublease of

³ Mainly, (i) the holding entity had to own more than 5% of the entity that distributed the profits for a minimum period of 1 year, (ii) the holding entity directed and managed its stake with the relevant material and human resources, and (iii) the investee did not have the status of asset-holding company.

⁴ With the approval of the Antifraud Law, the objective scope of the regime is extended to non-business income obtained through a permanent establishment abroad that has borne a tax identical or analogous to CIT that is less than 75% of what would have been borne in Spain.

⁵ Up to fiscal year 2020, this income was not to be included in the tax base if the requirements mentioned in note 6 were met.



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businesses or mines, on the terms established in subarticle 4 of article 25 of Law 35/2006, of November 28.

- e. Transfer of the assets or rights mentioned in the previous cases, and which generate income⁶.
- f. Financial derivative instruments, except those designated to cover a specifically identified risk derived from the performance of economic activities.
- g. Lending, financing, insurance and service activities (except services directly related to export activities) with related resident companies which incur deductible expenses. The attribution does not take place if more than 50% of this type of income derives from transactions carried out with unrelated entities.
- h. Insurance and lending activities, finance lease transactions and other financial activities conducted by non-related parties, except where the activity concerned may be considered a business activity,
- i. Transactions involving goods and services carried out with related persons or entities, in which the nonresident entity or establishment adds scarce or nil economic value.

Likewise, the amount that must be recognized in the taxable income for the items included in letters b) and e) above must be reduced in the same sense as that indicated in the preceding section for income from dividends, shares in income or gains on transfers of holdings.

There is also an exception to the applicability of the regime for the income addressed in letters a. to f. above (i.e., the exception does not apply to the income mentioned in letter g)

when the attributable income is below 15% of the total income obtained by the nonresident entity.

Moreover, the income mentioned in letters a) to g) shall not be attributed where it relates to expenses of entities resident in Spain that are not tax-deductible.

Other rules to be taken into account are the following:

- a. The amount of taxable income to be attributed will be determined in proportion to the share in income and, in the absence thereof, in proportion to the share in the capital, equity or voting rights of the investee and will be determined in accordance with the principles and criteria established in the CIT legislation. In any case, the attributed net income can never be higher than the total net income of the nonresident entity.
- b. The exchange rate for the attribution of income will be that in force at the nonresident entity's fiscal year-end.
- c. The income shall be attributed in the period running from the last day of the nonresident entity's fiscal year (which may not exceed 12 months for this purpose).
- d. Given that tax is levied on the "attribution" of income, the dividends relating to the attributed income are not taxed.
- e. A tax credit can be taken on the amount of CIT (or similar) actually paid by the nonresident entity and its subsidiaries as defined by law (in proportion to the net income attributed) and the tax actually paid as a result of the distribution of dividends. The limit for this tax credit is the Spanish tax. However, no tax credit is permitted for taxes paid in tax havens.

- f. Where the investee is resident in a country or territory classed as a tax haven, it will be presumed that:

- The amount paid by the nonresident entity in relation to a tax identical or similar to CIT, is lower than the 75% that would have been applicable in accordance with the CIT rules.
- The income obtained by the investee arises from the mentioned classes of income which require attributing the income on a transparent basis.
- The income obtained by the investee is 15% of the acquisition cost of the holding.

These assumptions are refutable.

- g. Lastly, the international fiscal transparency rules will not apply where the entity not resident in Spain is resident in another Member State of the European Union (EU), where the taxpayer evidences that it performs business activities⁷.

2.1.2.3 MARKET PRICE VALUATION

As a general rule, assets must be valued under the methods provided in the Commercial Code. Also, as a general rule, any variations in their value caused by applying the fair value method will have no effect for tax purposes if they do not have to be taken to income.

⁶ Up to fiscal year 2020, this income was not to be included in the tax base if the requirements mentioned in note 6 were met.

⁷ Up to fiscal year 2020, it was also required that the nonresident entity's formation and operation were based on valid economic reason.



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Furthermore, special rules are established with respect to the treatment of decreases in value, arising due to the application of the fair value criterion, of shares or holdings in entities, as shall be discussed in [section 2.1.6](#).

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Notwithstanding the above, in certain cases, market valuation (i.e. valuation on an arm's-length basis) must be applied for tax purposes. This method is applicable to:

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- Donated assets.

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- Assets contributed to entities and the securities received in exchange.

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- Assets transferred to shareholders in the event of dissolution, the withdrawal of shareholders, capital reductions with refund of contributions, paid-in surplus and the distribution of income.

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- Assets transferred as a result of mergers, absorptions and full or partial spin-offs.

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- Assets acquired through swap transactions.

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- Assets acquired as a result of exchanges or conversions.

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It should be noted that current legislation provides for a tax neutrality regime when certain of the transactions described above are carried out as part of a corporate reorganization, to which we will refer hereinbelow.

Transactions between related persons or entities must be valued at arm's-length value, i.e., the value which would have been agreed between independent persons or entities under normal market conditions.

Accordingly, the Tax Administration may verify both whether the valuation given to transactions performed between related entities is in accordance with arm's-length value and the nature and legal classification of the transactions, and where appropriate, the Tax Administration may make the adjustments which it considers appropriate to any transactions subject to CIT, PIT or Nonresident Income Tax that have not been valued at arm's length. The Tax Administration's valuation of a certain transaction will also be applicable to the other related persons or entities involved in that transaction, and under no circumstances will the Administration's valuation give rise to taxation of higher income for CIT, PIT or Nonresident Income Tax, than that actually derived from the transaction for the persons or entities as a whole that performed it.

As a result of this kind of inspection, therefore, the Administration can make the so-called **primary and secondary adjustments**. The primary adjustment is the traditional adjustment derived from the difference between the price agreed and the market value in a specific transaction. For example, if a Spanish entity receives management services from its Belgian parent and pays some fees which exceed the fees that would result from applying the market value of those services, the primary adjustment will entail a reduction (for tax purposes) in the expense of the Spanish company (and, thus, an increase in the taxable base subject to CIT). At the same time, if the parent company were Spanish rather than resident in Belgium, it would reduce its income subject to CIT.

The secondary adjustment is a consequence of the recharacterization of the income/expense attributed as a result of the primary adjustment, according to its actual nature. In the previous example, as the subsidiary is paying the parent a price higher than the market price, it may be considered to be distributing a dividend. Thus, along with the nondeductibility of the dividend (deriving from the primary adjustment) another charge could arise,

for example, in the same case, a withholding on the payment of the dividends (unless some benefit applies that prevents that withholding), on account of the parent company's nonresident income tax.

Related entities must make **available to the Tax Administration the documentation established by regulations** and with the minimum content expressly specified in the tax regulations. Based on those regulations, the documentation must include (i) on the one hand, data on the group to which the taxpayer belongs, detailing its structure, the various entities making it up, the nature, amounts and flows of related-party transactions, and, in general, the group's transfer pricing policy, and (ii) on the other hand, the appropriate supporting documentation of the taxpayer, identifying the entities related to it, including a comparability analysis, as well as justification for the valuation method chosen, and any documentation supporting the valuation of its transactions.

This documentation will have a simplified content in relation to the related persons or entities whose net revenues are below €45 million, where none of the following transactions are involved:

- Those carried out by personal income taxpayers, in the pursuit of a business activity to which the objective assessment method applies, with entities in which they or their spouses, ascendants or descendants, individually or jointly with each other, own a holding of 25% or more in the capital or equity.
- Transactions consisting of the transfer of businesses.
- The transfer of securities or shares representing holdings in the equity of all kinds of entities not admitted to listing on any of the regulated securities markets, or which are admitted to listing on regulated markets located in countries or territories classed as tax havens.



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d. Transactions involving real estate.

e. Transactions involving intangible assets.

The documentation will not be required in relation to the following transactions:

- a. In general, transactions carried out between entities forming the same consolidated tax group.
- b. Transactions carried out by economic interest groupings with their members or with other entities forming the same consolidated tax group.
- c. Transactions carried out in the context of public offerings or tender offers.
- d. Transactions carried out with the same related person or entity, where the consideration payable as a whole does not exceed a market value of €250,000. However, if these transactions have been carried out with entities resident in tax havens, they will have to be documented⁸, regardless of whether that threshold is exceeded.

For tax periods commencing as from January 1, 2016, due to the approval of Royal Decree 634/2015, of July 10, 2015, approving the Corporate Income Tax Regulations, important changes were made in relation to transfer pricing, which include most notably the introduction of **country-by-country reporting** obligations⁹, which is an instrument for evaluating risks in the transfer pricing policy of a corporate group.

This obligation applies to (a) entities resident in Spain that have the status of parent of a corporate group and which are not, at the same time, subsidiaries of another resident or nonresident

entity, and (b) Spanish subsidiaries of groups whose ultimate parent company (i) is not under the obligation to present this information in the jurisdiction in which it is resident, or (ii) where the tax authorities of the country or territory in which such company resides have not formalized an automatic information exchange agreement in this area (provided, in both cases, that the group has not appointed a “surrogate” entity entrusted with compliance with this obligation in a country other than Spain), and finally, (c) to Spanish subsidiaries which have been appointed by their group as the entity entrusted with the preparation and presentation of this information to the tax authorities (“surrogate entities”).

In that regard, it may be clarified that:

- Subsidiaries and permanent establishments located in Spanish territory are not required to submit documentation when:
 - The multinational group has appointed a group subsidiary resident in an EU Member State to submit the subject documentation.
 - The information has already been submitted by another nonresident company appointed by the group as a surrogate entity of the parent company for the purposes of submission of the documentation in its own tax residence territory. In any event, if the entity is not resident in an EU Member State, the conditions established in Annex III of Council Directive 2011/16/EU, of 15 February, on administrative cooperation in the field of taxation must be met.
- If the nonresident entity refuses to provide all or part of the documentation corresponding to the group to the resident entity or permanent establishment located in Spanish territory that is required to submit the information, the resident entity or the permanent establishment shall submit any documentation

available to it and report the circumstance to the Tax Administration.

In addition, any entity resident in Spanish territory which forms part of the group which is under the obligation to present country-by-country information is required to inform the Tax Agency of the identifying particulars, country or territory and status of the entity by which such information is prepared and presented.

This obligation only applies where the revenue of the persons or entities forming part of the group as a whole, in the 12 months preceding the start of the tax period, is at least €750 million.

Lastly, the legislation regulates the procedure for advance pricing arrangements.

The legislation establishes a **penalty regime** for failing to provide, or for providing incomplete, inaccurate or false data in such documentation, and the fact that the arm's length value shown in the documentation provided by the taxpayer (it is presumed that the arm's-length value must be shown by such documentation) differs from that declared in CIT, PIT or Nonresident Income Tax returns, will also constitute a serious tax infringement. In principle, therefore, incorrectly valuing a transaction is not an infringement but applying a price other than that deriving from the documentation furnished is an infringement.

⁸ Except for transactions carried out with entities that meet the following requirements: a) they reside in a Member State of the European Union or in a State belonging to the European Economic Area with which there is an effective exchange of tax information; and b) provided that the taxpayer proves that the transactions are based on valid economic reasons and that those persons or entities perform economic activities.

⁹ In keeping with the latest work carried out by the OECD in the context of Action 13 of the Plan established within the BEPS Project.



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For the purposes analyzed, the legislation contains a **list of the persons or entities that are deemed to be related**, which include, among others: (a) an entity and its shareholders, (b) an entity and its directors, except in relation to compensation for the performance of its functions, (c) two entities of a same group, (d) an entity and another entity in which the first-mentioned entity has an indirect holding of at least 25% of the capital stock or equity, (e) an entity resident in Spain and its permanent establishments abroad, or an entity not resident in Spain and its permanent establishments in Spain.

Added to these cases are a number of others where dealings are established between entities, or between them and individuals pursuant to kinship relationships with family members of the shareholders or directors of these entities.

It should be borne in mind that a group exists where an entity exerts or can exert control over another entity or other entities pursuant to article 42 of the Commercial Code, regardless of where they have their residence or of the obligation to prepare consolidated financial statements.

Lastly, in order to determine **the market value between related entities, the OECD methods apply**, and it is up to the company to choose one or another according to the transaction to be valued:

- Comparable uncontrolled price method.
- Cost plus method.
- Resale price method.
- Profit split method.
- Transactional net margin method.
- Other generally accepted valuation methods and techniques that comply with the arm's length principle.

The legislation envisages the possibility for taxpayers to submit to the Tax Administration a proposal for valuing its transactions with related entities based on market conditions. If the proposal is

approved by the Tax Administration, such valuation is valid for tax purposes for a maximum period of four tax years¹⁰.

2.1.2.4 DEDUCTIBILITY OF FINANCE COSTS

Traditionally, in Spain, finance costs have been deductible with the restrictions derived (solely) from the rules on transfer pricing (set forth above) and thin capitalization (which, moreover, only applied to cases of excess net debt with nonresident related entities not resident in the EU, except for those residing in a tax haven). However, some years ago, the thin capitalization rule was replaced by a general limitation on the deductibility of finance costs (regardless of whether or not the debt is with related parties).

Specifically, the applicable legislation imposes a **general limit** on the deductibility of finance costs.

Net finance costs exceeding the limit of 30% of operating income (EBITDA) of the year are not deductible, net finance costs being deemed to mean the finance costs exceeding the revenue derived from the transfer to third parties of own capital and accrued in the tax period, however, net finance costs of the tax period of up to €1 million will be deductible in all cases.

With effect for tax periods starting as from January 1, 2024, and in order to adapt this rule to Council Directive (EU) 2016/1164 of 12 July laying down rules against tax avoidance practices that directly affect the functioning of the internal market (ATAD), income, expenses or revenues that have not been included in the tax base for CIT purposes have been excluded from operating profit. This amendment will affect, among other cases, entities that receive exempt or partially exempt income (i.e., dividends or gains on sales of shares), as their limit on the deductibility of finance costs will be reduced.

In addition, up to 2023, the law stipulated that the general limitation on the deductibility of finance costs did not apply to credit institutions, insurance companies and certain mortgage securitization and asset securitization funds. Since 2024, the rule now excludes the funds in question from this exception.

This limitation applies in proportion to the duration of the tax period, so that in tax periods with a duration of less than a year, the limit is weighted according to the duration of the tax period with respect to the year.

Finance costs which are non-deductible owing to the application of this limit are deductible in subsequent tax periods, along with those corresponding to such periods, subject to the same limit.

If net finance costs for the period fall short of the limit described, the difference is to be added on to the limit for the deduction of net finance costs for the immediately ensuing five tax periods, until such difference has been deducted.

Apart from the above-mentioned general limit, the finance costs derived from debts used to acquire holdings in the capital or equity of any kind of entity shall be deductible with the **additional limit** of 30% of the acquirer's operating income, without including in the operating income that relating to any entity that merges with the former in the 4 years following that acquisition, where the merger is not carried out under the tax neutrality regime established for this type of transaction ([section 2.1.11](#)).

The additional limit will not apply in the tax period in which the holdings are acquired if the acquisition price is financed with debt, at the most in a proportion of 70% of the acquisition price.

¹⁰ Advance pricing arrangements may also be reached in connection with contributions for research, development and technological innovation or management expenses and in connection with the part of management expenses that may be allocated to a permanent establishment in Spain of a nonresident entity.



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Moreover, this limit will not apply in the following tax periods provided the amount of that debt is reduced, from the time of the acquisition, by at least the proportional part relating to each of the 8 following years, until the debt reaches 30% of the acquisition price.

2.1.2.5 CHANGES IN RESIDENCE, CESSATION OF BUSINESS BY PERMANENT ESTABLISHMENTS, TRANSACTIONS PERFORMED WITH PERSONS OR ENTITIES RESIDENT IN TAX HAVENS

The Tax Law requires the inclusion in the tax base of the difference between the value per books and the normal market value of the assets which are owned by a resident entity that transfers its place of residence abroad (exit tax).

However, the taxpayer can request a postponement in the payment of the exit tax where the assets are transferred to a Member State of the EU or of the European Economic Area (EEA) with which there is effective exchange of tax information on the terms established in Law 36/2006, of November 29, on tax fraud prevention measures. With the approval of the Antifraud Law, starting in periods commencing on or after January 1, 2021, the taxpayer can only elect to divide the payment of that exit tax (the calculation of which does not change) in five equal parts per annum, with the accrual of late-payment interest, just as up to now, and the obligation to create guarantees for that payment in installments, where there is reasonable evidence to prove that the debt collection will be thwarted or seriously hindered.

2.1.2.6 INVENTORY VALUATION

There are no special tax rules regarding the valuation of inventory. Accordingly, all inventory valuation methods (FIFO, acquisition cost

or weighted average cost) applicable for accounting purposes are also acceptable for tax purposes.

2.1.2.7 VALUE ADJUSTMENTS

a. Depreciation.

a.1. Depreciation qualifies as a deductible expense only if it is effective and is recorded in the accounts (with certain exceptions).

a.2. There are various general tax depreciation methods:

- **Straight-line depreciation:** this is the method most commonly applied by taxpayers.

It consists of depreciating assets on a straight-line basis by applying a certain percentage to their cost. The law sets a range of percentages for each type of asset, which determines the minimum depreciation period (maximum depreciation rate) and the maximum depreciation period (minimum depreciation rate). Thus, for example, computer equipment may be depreciated in general between 12.5% (minimum rate for a maximum useful life of 8 years) and 25% (maximum rate).

The current legislation modified the straight-line depreciation tables in order to simplify them. Traditionally, these depreciation tables (regulated in the tax regulations) were organized by economic sectors and activities, with a last group for “common assets”. Under the current law, some new depreciation

tables were approved (and included in the law itself) according to types of assets, without making a distinction by sectors, although the law states that the rates and periods established therein may be modified by regulations, or additional rates and periods may be established, although that possibility has not yet been implemented.

Transitionally, the law establishes that for assets whose depreciation rates have been modified with the current depreciation tables (in relation to those existing previously), the depreciation rates will apply to the net tax value of the assets.

The use of the depreciation rates contained in the official tables relieves the taxpayer from having to prove the actual depreciation.

There are special rules for assets used on a daily basis in more than one ordinary shift of work and for assets acquired second hand.

- **Declining-balance depreciation (constant rate):** under this method, which may be applied to all assets except buildings, furniture and household goods, depreciation can be shifted to the early years of the asset's useful life (when the actual decline in value will presumably be greater) by applying a rate to the asset's book value.
- **Sum-of-the-years'-digits method:** this system is also permitted for all assets except buildings, furniture and household goods. The sum of the digits is determined on the basis of the depreciation period established in the official tables.

- **Other depreciation methods:** companies which, for technical reasons, wish to depreciate their assets at different rates than those fixed by the official tables and also wish to obviate the uncertainties involved in proving the “actual” depreciation, can seek prior approval from the tax authorities for special depreciation plans with such annual rates of depreciation.
- **Special case: amortization of intangible assets.** For tax periods commenced as from January 1, 2016, the tax treatment of this type of assets was modified¹¹, to align it with the accounting treatment.

The accounting treatment is as follows:

- There is no distinction between intangible assets according to whether their useful life is definite or indefinite, but rather it is understood that all intangible assets have a definite useful life.
- Intangible assets are amortized according to their useful life, if it cannot be estimated reliably, they are amortized over a period of 10 years, unless established otherwise by a provision of law.
- Goodwill only appears on the assets side of the balance sheet where it has been acquired for a consideration. Also, it is presumed, unless proven otherwise, that its useful life is 10 years. Goodwill can be amortized, not only impaired.
- There is no obligation to record a non-disposable reserve for the goodwill. Reserves

recorded in past years (according to prior accounting legislation) must be reclassified as voluntary reserves and are disposable in the amount exceeding the goodwill recognized for accounting purposes.

- The Notes to the financial statements must specify the period and method for amortization of intangible assets.

The tax treatment is as follows:

- **Intangible assets with a definite useful life.** Starting in fiscal year 2016, they are amortized according to their useful life (as is done for accounting purposes). When this useful life cannot be estimated reliably, the amortization will be deductible up to the maximum annual limit of one-twentieth its amount (that is, at a lower rate than the accounting amortization)¹².

Nonetheless, this regime does not apply to intangible assets acquired before January 1, 2015, from entities forming part of the same group of companies as the acquirer in accordance with article 42 of the Commercial Code.

- **Intangible assets with an indefinite useful life.** Due to the reclassification of intangible assets with indefinite useful life as intangible assets with definite useful life, pursuant to accounting legislation, as from January 1, 2016, these assets are amortized according to the rules for **intangible assets with definite useful life**¹³.

- **Intangible assets recorded in respect of goodwill.** They can be amortized with the maximum annual limit of one-twentieth their amount (5%). Unlike the previous regulation, starting on January 1, 2016, the tax deductibility of goodwill is conditional on its accounting recognition.

a.3. Temporary limitation on depreciation.

For tax periods that commenced in 2013 and 2014, the accounting depreciation of tangible and intangible assets (only those with a definite useful life) and of investment property was only deductible up to 70% of that which would have been tax deductible in accordance with the aforementioned rules (the limitation also affected assets subject to the financial lease regime).

The accounting depreciation that was not tax deductible by application of this limit was deductible starting from the first tax period commencing in 2015, on a straight-line basis over a period of 10 years or during the useful life of the asset, at the election of the taxpayer¹⁴.

¹¹ Amendment made by the Audit Law 22/2015, of July 20.

¹² Under the law in force until 2015, intangible assets with a definite useful life could be amortized with the maximum annual limit of one-tenth of their amount (10%), provided that certain requirements were met.

¹³ Prior to January 1, 2016, intangible assets with indefinite useful life were amortizable with the maximum annual limit of one-twentieth their amount (5%), and the deduction of the amortization was not conditional on its accounting recognition in the statement of income.

¹⁴ If the taxpayer opted to reverse the depreciation expense not deducted in fiscal years 2013 and 2014 on a straight-line basis during a 10-year period, fiscal year 2024 was the last year in which that reversal took place. However, in cases where the taxpayer opted to reverse this depreciation expense throughout the useful life of the asset, it is possible that there could still be assets on which the depreciation not deducted in those years must continue to be reversed.



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As the non-deductible depreciation is deducted at lower tax rates than those applicable in preceding years (when a portion of the depreciation was nondeductible), the current law establishes a deduction for taxpayers subject to tax at the standard rate (or that established for newly formed entities) which are affected by the aforementioned limitation on the deductibility of depreciation (the 70% mentioned above). Specifically, these taxpayers may, in tax periods commencing in or after 2016, take an additional deduction in the gross tax payable of 5%¹⁵ of the amounts included in the tax base for the reversal of the amounts not depreciated for tax purposes.

a.4. Finance lease contracts.

Finance lease contracts (provided by finance entities, as legally defined) for movable assets must have a minimum term of 2 years, and those for real estate must have a minimum term of 10 years, and the annual charge corresponding to the depreciation of the cost of the asset must remain the same or increase over the term of the lease.

Lease payments (interest plus the portion of principal relating to the cost of the asset) are deductible. Land and other non-depreciable assets will be deductible in the portion relating to interest. However, the ceiling on the deductibility of the depreciation cost of the asset is twice the maximum depreciation rate per the official tables.

a.5. Accelerated depreciation.

In recent years, various cases of accelerated depreciation have been regulated to encourage investment and maintain jobs (this latter requirement was initially

applied but then eliminated). This incentive, which was established for tax periods commencing in 2010, 2011, 2012, 2013, 2014 and 2015 and did not require the accounting recognition of the depreciation, also applied for certain investments made through financial lease contracts and for investments relating to new assets contracted through construction work agreements or investment projects (on certain conditions).

However, this incentive for new investments was eliminated and only applies for new assets acquired up to March 31, 2012, which could continue to be depreciated without restriction from that date onwards but with certain limitations.

Starting in 2015, the law introduced a new case of unrestricted depreciation for new tangible assets, where the unit value does not exceed €300, and up to the limit of €25,000 in the tax period.

On the other hand, with effect in periods beginning or ending in 2023 and 2024, unrestricted depreciation of investments in the following is permitted: (i) facilities for the self-consumption of electricity that use energy from renewable sources and (ii) facilities for thermal use for own consumption that use energy from renewable sources, which replace facilities that use energy from renewable fossil fuel sources. This scheme will apply to investments that are placed at the taxpayer's disposal as from October 20, 2022, provided that they are brought into operation in 2023 or 2024, for up to a maximum amount of €500,000.

The application of this regime requires that, for 24 months following the commencement date of the tax period in which the elements acquired are brought into operation,

the total average workforce of the entity be maintained with respect to the average workforce for the previous 12 months.

For periods starting in 2024 and 2025, new vehicles with the classification of FCV, FCHV, BEV, REEV or PHEV may be depreciated without restrictions. And for tax periods starting in 2024 and 2025, the option of unrestricted depreciation has been established for investments that use energy from renewable sources. The possibility has also been established of applying accelerated depreciation to investments in new normal or high-powered electric vehicle charging infrastructures, with the same conditions as those mentioned previously for vehicles. In this case, taxpayers are also required to (i) provide certain documentation and (ii) obtain the electrical installation certificate stamped by the competent autonomous community.

The amounts taken as unrestricted depreciation will reduce the value of the depreciated assets for tax purposes.

b. Impairment of assets.

The law establishes various rules on the deductibility or non-deductibility of the impairment of assets:

b.1. Impairment losses on receivables for bad debts.

This provision covers the foreseeable losses in the realizable value of accounts receivable. The deductibility of this provision is subject to certain requirements. Under these requirements, the only method applicable is the individual balance method,

¹⁵ | The deduction percentage in 2015 was 2%.

whereby the status of each receivable is individually analyzed. The deduction of this provision is subject to satisfaction of any of the following tests:

- The balance must be more than 6 months past due.
- The debtor must have been held to be in insolvency.
- The debtor must have been taken to court for the criminal act of dealing in assets to defraud creditors.
- The obligations must have been claimed in court or the subject of a lawsuit or arbitration proceeding.

In any case, losses to cover the risk of bad debts of related entities cannot be recorded for tax purposes in respect of receivables from related parties, unless the related parties concerned are subject to insolvency proceedings and the judge has established the liquidation phase in accordance with the Insolvency Law.

Moreover, bad debt provisions will not be deductible where the debtor is a public entity or where sufficient guarantees have been provided, unless they are the subject of arbitration or court proceedings regarding their existence or amount.

Losses to cover the risk of foreseeable bad debts by financial institutions are subject to specific rules.

We recall that, as stated in the section on the timing of allocation rules, the law establishes time limits on the deductibility of certain insolvency provisions.

b.2. Impairment of securities representing holdings in the capital of entities.

As a general rule, impairment losses – on both investments in listed companies and holdings in non-listed companies – have been considered non-deductible since tax periods commencing as from January 1, 2013. The rules relating to impairment losses of these kinds will be analyzed in greater detail in [section 2.1.6](#).

Since the impairment losses became non-deductible, there has been a transitional regime in place for the reversal of impairment losses deductible prior to 2013:

- **Holdings in listed entities:** in the case of entities listed on a regulated market, impairment losses recorded and deducted in periods commencing before January 1, 2013, shall be reversed in the tax base of the period in which the accounting recovery takes place.
- **Holdings in unlisted entities:** for holdings in unlisted entities, there is a transitional regime in place which basically consists of the following:
 - Any impairment losses that were tax deductible in periods commencing before January 1, 2013, must be included in the CIT base.
 - This inclusion must be done regardless of whether or not there have been other nondeductible value adjustments for impairment.
 - The inclusion in the tax base must be done in the period in which the value of the investee's

equity is recovered, in the proportion relating to the holding and with the limit of that excess.

Royal Decree-Law 3/2016, of December 2, effective for years commencing as from January 1, 2016, introduced the obligation to reverse these provisions (appropriated and deducted in prior years). This is known as the “minimum reversal” rule and it required the reversal of the provisions in question by fifths (as a minimum) in each of the first five tax periods commencing as from January 1, 2016 (there being specific rules for cases of actual reversal of the impairment or transfer of the holdings).

This measure was declared unconstitutional by the Constitutional Court in judgment no. 11/2024 of January 18, but it has been reestablished by Law 7/2024, of December 20, with certain particularities, and with effects in fiscal year 2024. Specifically, the tax base must include the total amount of impairment losses that were deductible before 2013 and are pending reversal at January 1, 2024. The reversal must be done, in equal parts, in each of the first three fiscal years starting on or after January 1, 2024. In case of transfer of the securities, the amounts pending reversal shall be included in the tax base of the tax period in which the transfer takes place.

As a particularity, the income derived from this mandatory reversal may be offset against tax losses generated in years prior to 2021, without being subject to the limits of 25% and 50%, which are discussed in [section 2.1.2.13](#) below (albeit with the general limit of 70%).

b.3. Impairment losses on the value of property, plant and equipment, investment property and intangible assets, including goodwill, equity instruments and securities representing debt (fixed income).

We refer to the comments contained in the section relating to the timing of allocation rules ([section 2.1.2.1.](#)).

c. Provisions.

The general rule in relation to provisions is that they are deductible provided they are correctly accounted for. However, the legislation establishes certain exceptions. In this regard, the following expenses are not deductible:

- Those resulting from implied or tacit obligations.
- Those relating to long-term compensation and other personnel benefits, except for the contributions of the sponsors of pension plans subject to certain requirements.
- Those concerning the costs of performing contracts which exceed the expected financial returns from them.
- Those resulting from restructurings, unless they refer to legal or contractual obligations, not merely tacit obligations.
- Those relating to the risk of sales returns.
- Personnel expenses relating to payments based on equity instruments, used as a form of employee compensation, paid in cash.

Any expenses that are not deductible according to the foregoing list will be included in the tax base for the tax period in which the provision is used for its intended purpose.

In relation to certain provisions, the deductibility is conditional on the fulfillment of certain requirements:

- Expenses relating to environmental actions are deductible if they are incurred under a plan prepared by the taxpayer and accepted by the Tax Administration.
- Expenses relating to insurance reserves made by insurance companies are deductible, to the extent of the minimum amounts established in applicable legislation. With that same limit, the amount recorded in the fiscal year for the equalization reserve will be deductible for purposes of determining the tax base, even where it has not been included in the income statement (provisions for outstanding premiums or fees will not be consistent, for the same balances, with provisions to cover foreseeable bad debts).
- In addition, the expenses relating to risks resulting from repair and inspection warranties (and ancillary expenses for sales returns) are deductible, up to the limit resulting from applying to the sales with outstanding warranties at the end of the tax period the average warranty expenses as a percentage of total sales under warranty in the current and the two preceding tax periods.

2.1.2.8 NON-DEDUCTIBLE EXPENSES

The law contains an exhaustive list of non-deductible expenses. In particular, the following expenses are not deductible:

- Amounts representing a remuneration of equity. Since fiscal year 2015, this item is deemed to include the remuneration relating to participating loans provided by entities that form part of the same group of companies, according to article 42 of the Commercial Code, have the consideration of remuneration of equity. In these cases, however, the income will not be reportable at the lender. This limitation on the deductibility of the remuneration of participating loans does not apply to loans provided before June 20, 2014.
- Those derived from accounting recognition of CIT, and those derived from accounting recognition of the new Top-up Tax, referred to in [section 2.18.](#)
- Criminal and administrative fines and penalties, surcharges in the enforcement period and surcharges for late filing without prior requirement.
- Gambling losses.
- Donations and gratuities (although donations to certain non-profit entities or those involving assets registered in the Register of Assets of Cultural Interest, or assets aimed at contributing to the conservation of assets of cultural interest or to the performance of activities of general interest, will give right to a tax credit of 40% of the donation, up to a limit of 15% of the net taxable income of the year).

Expenses for hospitality to customers or suppliers, those derived from customs and practices with the company's personnel, those incurred to promote the sale of goods or services, or those correlated to income will not be deemed gifts or gratuities. However, the deductibility of the expenses for hospitality to customers or suppliers will be limited to 1% of the company's revenues of the tax period.



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The remuneration of directors for the pursuit of their senior management functions or others derived from an employment contract shall not be deemed gifts or gratuities either.

- Expenses derived from actions that infringe the legal system.
- Expenses for services relating to transactions performed directly or indirectly with individuals or entities resident in designated tax havens or paid through individuals or entities resident in tax havens, unless the taxpayer can prove that the expense arose from a transaction effectively performed.
- Finance expenses accrued in the tax period derived from debts with group entities, according to the definition established in article 42 of the Commercial Code, regardless of residence and of the obligation to prepare consolidated financial statements, incurred to acquire, from other group entities, holdings in the capital or equity of any kind of entity, or to make contributions to the capital or equity of other group entities, unless the taxpayer evidences valid economic reasons for carrying out those transactions.
- Expenses deriving from the termination of an ordinary or special employment relationship, or of a commercial relationship of directors or board members of the company exceeding the amount of €1 million per recipient or, if higher, the amount established as obligatory in the Workers' Statute, in its implementing legislation or, as the case may be, in the legislation regulating the enforcement of judgments, which does not include that established pursuant to an agreement, accord or contract. Those expenses will not be deductible even if they are paid in several tax periods.
- For fiscal years commencing on or after November 10, 2018, the transfer and stamp tax debt resulting in the case of public deeds documenting mortgage loans.
- Expenses that give the right to the tax credit for investments made by port authorities, including those relating to the depreciation of the assets in which the investment was made which has generated the right to the aforementioned tax credit.
- For fiscal years commencing as from 2017, certain impairment losses or losses corresponding to a decline in value resulting from the application of the fair value criterion to shareholdings in entities, as explained in [section 2.1.6](#).
- As a result of the transposition of Council Directive (EU) 2016/1164, of 12 July, laying down rules against tax avoidance practices that directly affect the functioning of the internal market, the legislation regulating CIT establishes the non-deductibility of certain expenses where there is non-taxation or double deduction of expenses as a consequence of the existence of disparate legal classifications in different countries or territories.

Accordingly, the CIT Law establishes that expenses cannot be deducted or that their deductibility must be deferred, or that taxable income must be added, in the following cases, provided the circumstances expressly stated in the law arise:

- Deduction without inclusion of income: cases in which an expense is deductible in a territory without it being taxable income in the country of the recipient (except the cases mentioned below, of exemption, financial contract subject to a special tax regime or valuation differences by application of the provisions on related-party transactions), or being subject to a reduction in the tax rate or to any tax credit or refund of taxes, other than a tax credit for the avoidance of double taxation, due to the existence of different classifications of the expense or of the legal nature of the taxpayers involved.

- Double deduction: cases in which the same expense is deductible in two countries or territories.
- Hybrid permanent establishments: cases of deduction without inclusion or of double deduction originated by the differences in the recognition of income and expenses, or even in the recognition of the actual existence of a permanent establishment, between the country where the permanent establishment is located and the country where the head office is situated.
- Imported asymmetries, in which the hybrid asymmetries take place in relation to a third entity located in another country or territory, but which gives rise to a deductible expense in Spain.
- Structured mechanisms, in which the generation of a deductible expense without the taxation of its correlative income or of a deductible expense in two or more countries or territories, forms part of the expected return from the mechanism (or the mechanism has been designed precisely to produce those results). For these purposes, a structured mechanism is any agreement, transaction, scheme or operation in which the tax advantage derived from the hybrid asymmetries is quantified or taken into account in its conditions or considerations, or which has been designed to produce the results of such asymmetries, unless the taxpayer or a related person or entity could not reasonably have known about them and does not share the tax advantage.
- Double use of withholdings, for purposes of the tax credit for international double taxation.
- Double tax residence, where it leads to an expense being tax deductible in two countries or territories at the same time.

- Income subject to and exempt from NRIT and not subject or exempt in a foreign source: the party concerned is taxable on such income as taxpayer when it is obtained by a pass-through entity in which one or more related entities that are resident in territories that class the pass-through entity as a taxpayer for personal taxation purposes, own directly or indirectly (on any day of the year) a percentage equal to 50% or more of capital, shareholders' equity, results or voting rights. The rest of the income is attributed to the shareholders.

However, this regime does not apply where the asymmetry:

- Is due to the fact that the beneficiary is exempt from CIT, given that, in this case, the asymmetry actually takes place due to the special tax regime of the beneficiary, not to the different classification.
- Is produced in the context of a transaction that is based on a financial instrument or contract subject to a special tax regime.
- Or when the difference in the value imputed is due to valuation differences, including those derived from the application of the legislation on related-party transactions.

2.1.2.9 CAPITAL GAINS AND LOSSES

By contrast with other countries, Spanish CIT treats income resulting from the transfer of assets in the same way as other income. Accordingly, such income is generally added to (or deducted from) regular business income to determine the taxable income.

2.1.2.10 INCOME DERIVED FROM STAKES IN A SICAV (OPEN-END INVESTMENT COMPANY)

The income derived from a capital reduction or distribution of additional paid-in capital by the shareholders (corporate income taxpayers) of a SICAV is subject to the following treatment:

- **Capital reductions:** the shareholders of the SICAV must include in their CIT base the total amount received as a result of the capital reduction, limited to the increase in the redemption value of the shares since their acquisition or subscription until the moment of the capital reduction. The shareholders will not be entitled to apply any tax credit because of this transaction.
- **Distributions of additional paid-in capital:** the shareholders must include in their tax base the total amount obtained in the distribution, without being able to apply any tax credit in this connection.

This regime will also apply to the shareholders of collective investment undertakings equivalent to SICAVs and registered in another Member State of the EU (and, in any case, it will apply to the companies covered by Directive 2009/65/EC of the European Parliament and of the Council, of July 13, on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities).

2.1.2.11 CAPITALIZATION RESERVE

The portion of the taxpayer's profit that is allocated to a restricted reserve (capitalization reserve) will not be taxable, without imposing any requirement to invest this reserve in any specific type of asset.

The purpose of this measure is to boost business capitalization by increasing equity and thus incentivizing reorganization of the companies and competitiveness of companies.

Specifically, taxpayers subject to the 25% tax rate, new companies and entities taxed at the 30% rate will be entitled to a tax base reduction equal to 20% of the increase in their shareholders' funds, provided the following requirements are met:

- The amount of the increase in the entity's shareholders' funds must be maintained for a three-year period as from the end of the tax period in which the reduction is applied, unless the entity reports losses.
- A reserve must be posted in the amount of the reduction and must be reflected in the balance sheet as a totally separate, appropriately named item, and will be restricted for the period stated in the preceding letter.

As a new feature, effective in fiscal years starting on or after January 1, 2025, the 20% reduction is increased according to the increase in the taxpayer's average workforce. Specifically:

- If the total average workforce of the tax period is increased by between 2% and 5% with respect to the total average workforce of the immediately preceding tax period, the reduction will be 23%.
- If the total average workforce of the tax period is increased by between 5% and 10% with respect to the total average workforce of the immediately preceding tax period, the reduction will be 26.5%.
- If the total average workforce of the tax period is increased by more than 10% with respect to the total average workforce of the immediately preceding tax period, the reduction will be 30%.

The reduction right may not in any event exceed 20% (25% for taxpayers whose net revenue is below €1 million) of the positive tax base for the tax period prior to this reduction, before including impairment charges on receivables or other assets due to possible debtor insolvency and before offsetting tax losses.

Nonetheless, if the tax base is insufficient to apply the reduction, the outstanding amounts may be applied in tax periods ending in the immediately successive two-year period following the end of the tax period in which the reduction right is generated, together with any reduction that may be generated in the relevant tax period and subject to the same limit.

2.1.2.12 INCOME FROM THE ASSIGNMENT OF THE RIGHT TO USE OR EXPLOIT CERTAIN INTANGIBLE ASSETS (PATENT BOX)¹⁶

This is a tax base reduction scheme applicable to income from the assignment of the right to use or exploit certain intangibles.

Law 6/2018, of July 3, of General State Budgets for 2018 (GSB 2018), adapting the regulations of the regime to the agreements adopted within the EU and the OECD, specified the income that qualifies for that regime, effective for tax periods starting on or after January 1, 2018. According to the GSB 2018, income derived from the license of the right to use or exploit patents, utility models, supplementary medicinal protection certificates and plant protection products, designs and models, protected by law, also derived from research and development and technological innovation activities and registered advanced software derived from research and development activities, qualifies for a reduction in the tax base.

For tax periods that commenced between July 1, 2016 and December 31, 2017, regard must be had to the previous wording

of the article, which established that the regime may be applied to income obtained from the licensing to third parties of the right of use or exploitation of know-how (industrial, commercial or scientific), patents, drawings or models, plans, formulae or secret procedures.

The reduction in the tax base is determined in relation to the percentage arrived at by multiplying by 60% the result of the following coefficient:

- As numerator: the expenses incurred by the licensing entity which are directly related to the creation of the asset, including any deriving from the subcontracting of third parties unrelated to such entity. These expenses are to be increased by 30%, although the numerator may in no case exceed the amount of the denominator.
- As denominator: the expenses incurred by the licensing entity which are directly related to the creation of the asset, including any deriving from subcontracting, both with third parties not related to the licensing entity and with persons or entities related to it¹⁷ and from the acquisition of the asset.

The expenses referred to cannot include finance costs, the depreciation of real property, or other expenses not directly related to the creation of the asset.

This reduction will also apply in the event of a transfer of such intangibles, when the transfer takes place between entities which are not classed as being related.

Under the new wording (contrary to the situation under the previous wording), this tax benefit will not apply to income derived from the licensing of the right to use or exploit, or from the transfer of, brands, literary, artistic or scientific works, including

cinematographic films, transferable personal rights, such as image rights, computer programs (other than registered advance software, mentioned previously), industrial, commercial or scientific equipment), but it will also not apply to income derived from the license of the right to use or exploit, or from the transfer of, plans, formulae or secret procedures, rights on information relating to industrial, commercial or scientific experiences.

The definition of income¹⁸ was broadened by this new wording and it is currently defined as the positive difference between income from both the licensing of the right to use or exploit the assets and the positive income derived from their transfer which exceeds the sum of the expenses incurred by the entity directly related to the creation of the assets which have not been included in the value of the assets, of the amounts deducted as amortization, impairment and expenses that have been included in the tax base, and of the expenses related directly to the assets, which have been included in the tax base.

¹⁶ With effect as from July 1, 2016, there was a change in the rules applicable to income from the right of use or exploitation of certain intangible assets, in the terms referred to, the purpose being to adapt these rules to agreements reached at EU and OECD levels. Under the old rules, only 40% of income deriving from the assignment to third parties of the right of use or exploitation of know-how (industrial, commercial or scientific), patents, drawings or models, plans, formulae or secret procedures, was required to be included in the tax base. This income also includes any deriving from the transfer of intangibles of these kinds when the transfer takes place between entities not pertaining to the same corporate group within the meaning of article 42 of the Commercial Code.

¹⁷ The wording in force in fiscal years commencing before January 1, 2018 established that the denominator included exclusively the expenses incurred by the licensing entity related directly to the creation of the asset, including expenses derived from subcontracting and, if any, from acquisition of the asset.

¹⁸ In the tax periods commencing between January 1, 2016, and January 1, 2018, income was defined as the positive difference between income from the license of the right to use or exploit the assets and the amounts that are deducted in respect of amortization, impairment and expenses for the year directly related to the intangible.



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Moreover, it has been specified that if a loss is incurred in a tax period because expenses exceed income (whereas, in prior tax periods, positive income was obtained to which the reduction was applied), that loss will be reduced by the aforementioned reduction percentage, as long as the losses generated do not exceed the positive income included in previous periods. The total excess will be included in the tax base, and, in that case, the positive income obtained in a later tax period will be included in full up to that amount, and the aforementioned percentage may be applied to the excess.

In order to apply this benefit¹⁹:

- The assignee must use the rights of use or exploitation in a business activity, additionally, the results of such use must not lead to the supply of goods or provision of services by the assignee generating tax deductible expenses in the assigning entity, provided, in this latter case, that such entity is related to the assignee.
- The assignee may not reside in a country or territory where there is zero taxation or that is classed as a tax haven, unless it is an EU Member State, and the taxpayer provides evidence of valid economic reasons for the transaction and of its engagement in economic activities.
- Where the contract for the assignment of use includes the provision of other incidental services, the contract must specify the consideration corresponding to them.
- The assigning entity must keep the necessary accounting records to determine direct and indirect income and expenses pertaining to the intangible assets assigned.

The scheme provides for the possibility, before the transactions are completed, of applying to the Administration for an advance

pricing agreement in connection with the income from the assignment and the expenses, as well as with the income generated on the transfer.

An advance agreement classifying the assets in the categories included in the incentive may also be requested before the transactions are completed.

As a consequence of the existence of various regimes regulating the application of this incentive (owing to the succession of legislative changes taking place), there is a transitional regime:

- The licensing of the right to use or exploit intangible assets, executed before the entry into force of Law 14/2013, of September 27, on support of entrepreneurs and their internationalization, can be subject, in all the tax periods remaining until the end of the contracts, to the regime established in the former CIT Law (Legislative Royal Decree 4/2004). The application of this regime should have been opted for in the tax return for 2016. The result of exercising this option, however, was effective only up to June 30, 2021, and from then onwards, the regime regulated in the GSB 2018 is applicable.
- For assignments of the right to use or exploit intangible assets carried out as from the entry into force of said Law 14/2013 and up to June 30, 2016, it was possible to opt to apply, in all the tax periods remaining until the end of the contracts, the regime established in the current CIT Law (Law 27/2014, of November 27), according to the wording in force on January 1, 2015. The application of this regime should have been opted for in the tax return for 2016, effective only through to June 30, 2021, and from then onwards, the regime regulated in the GSB 2018 becomes applicable.

Transfers of intangible assets carried out from July 1, 2016, to June 30, 2021 could be subject to the regime established in the current CIT Law, according to the wording in force on January 1, 2015. The application of this regime should have been opted for in the tax return relating to the tax period in which the transfers were carried out.

2.1.2.13 OFFSET OF TAX LOSSES

It is possible in Spain to offset tax losses, with no time limit being applicable, although there are certain annual limits (offsetting against positive income obtained in previous tax periods is not permitted).

The general limit is 70% of the positive tax base prior to offsetting, the minimum being €1 million. Nevertheless, entities whose net revenues in the previous 12 months are at least €20 million may offset tax losses with the following limits:

- 50%, for entities whose net revenues are between €20 and €60 million.
- 25% for entities with net revenues exceeding €60 million.

This limit was repealed following the aforementioned Constitutional Court judgment no. 11/2024 of January 18, 2024, but it has been reestablished through Law 7/2024, of December 20, effective starting in that same fiscal year (2024).

¹⁹ Prior to July 1, 2016, the following additional requirements also applied:

- The assigning entity had to have created the assets being assigned to an extent equivalent to at least 25% of their cost.
- The transfer of the intangible assets could not take place between related parties.

Moreover, in order to avoid the acquisition of dormant or quasi-dormant companies with tax losses or the commencement of activities at entities with accumulated tax losses, the law establishes measures that preclude their use. Specifically, tax losses cannot be offset in the following circumstances:

- The majority of share capital or rights to a share of the entity's profits have been acquired by a related person or entity (or related group of persons or entities) following the end of the tax period to which the tax losses relate.
- The acquiring persons or entities had an interest of less than 25% at the end of the period to which the tax losses relate.
- The entity acquired (i) did not carry on any business activity during a three-month period prior to the acquisition, or (ii) it performed a business activity in the two-year period following the acquisition that is different from or additional to the activity previously performed, or (iii) it is an asset-holding company, or, lastly, (iv) it has been struck off the companies' index for failing to file the return for three consecutive tax periods.

Lastly, the Administration's right to inspect tax losses that have been offset or are outstanding offset will become statute barred 10 years as from the day following the end date of the period stipulated for the filing of the tax return or self-assessment for the tax period in which the right to offset the tax losses was generated.

Once that period has elapsed, the taxpayer must evidence the tax losses that it intends to offset only by exhibiting the assessment or self-assessment and the accounting records, including evidence that they have been filed at the Mercantile Registry during that period.

2.1.2.14 TAX RESTATEMENTS

A voluntary tax restatement was provided for periods commencing in 2013, at a rate of 5% on the restated amount.

The tax rate cuts (mentioned previously and referred to below in detail) entail that depreciation charges on the restated assets will be included in the tax base at a lower rate than the rate applied on restatement, when a 5% rate was paid, as indicated. In order to mitigate this negative effect, taxpayers subject to the general rate (or the rate applicable to new companies) which availed themselves of the fixed asset restatement will be entitled to a tax credit equal to 5%²⁰ of the amounts included in the tax base in respect of depreciation charges on the net increase in value resulting from the restatement.

These tax credits will be subsequently applied to other applicable tax credits and allowances. Amounts not deducted because tax payable is insufficient may be deducted in subsequent tax periods.

2.1.3 TAX RATES

The standard CIT rate in Spain is 25% for fiscal years commencing on or after January 1, 2016 (from 2008 to 2014, it was 30% and in 2015, it was 28%).

Effective for periods which commencing on or after January 1, 2025, a progressive reduction in the tax rate is established for entities whose net turnover in the immediately preceding tax period is less than €1 million (microenterprise), from the current 23% to between 17% and 21%, Specifically:

TAX BASE	TAX RATE 2025	TAX RATE 2026	TAX RATE 2027 ONWARDS
From €0 to €50,000	21%	19%	17%
Above €50,000	22%	21%	20%

The tax rate for small-size entities is also progressively reduced, as seen in this table:

TAX RATE 2025	TAX RATE 2026	TAX RATE 2027	TAX RATE 2028	TAX RATE 2029 ONWARDS
24%	23%	22%	21%	20%

In addition, a new tax rate of 15% was introduced in 2023 for start-ups (see section 2.21).

The foregoing reduced tax rates (20%, 17% and 15%) are not applicable to asset-holding entities.

However, special rates are applicable to certain entities such as listed collective investment institutions including real estate investment funds (1%), certain cooperatives (20%) or entities engaging in oil and gas research and exploitation activities (30%).

In the case of listed corporations for investment in the real estate market (known as SOCIMIs), the tax rate is 19%. However, entities whose shareholders owning a holding of more than 5% in their capital are taxed on the distributed dividends at a rate of at least 10% will be subject to a tax rate of 0%.

Lastly, entities formed on or after January 1, 2013, they will be taxed at the rate of 15% in the first tax period in which they have taxable income and in the next tax period.

²⁰ | This tax credit was 2% for tax periods commencing in 2015.



Notwithstanding, in 2021, a minimum tax system was introduced, which is described in [section 2.1.7](#) below.

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2.1.4 TAX CREDITS, WITHHOLDINGS AND PREPAYMENTS

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Under this heading we will describe the main tax credits applicable for 2025²¹.

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2.1.4.1 INVESTMENT TAX CREDITS

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- i. Research and development and technological innovation tax credit.

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A tax credit for 25% of the expenses incurred in the tax period on scientific R&D. If the investment made exceeds average expenses incurred in the previous 2 years, 42% is applied to the excess.

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In addition, a tax credit for 12%²² of the expenses incurred in the tax period on technological innovation.

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Research and development (R&D) expenses included in the tax credit base must relate to activities carried out in Spain or in any Member State of the EU or of the EEA. R&D expenses will include the amounts paid by the taxpayer individually or in collaboration with other entities to fund the conduct of R&D activities in Spain or in any Member State of the EU or of the EEA.

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The amount of the base for this tax credit is reduced by 100% of any subsidies received to encourage such activities.

An 8% tax credit is also established for investments in tangible fixed assets and intangible assets (excluding investment in buildings or land) to be used exclusively for R&D activities.

This tax credit will be incompatible with the other tax credits provided for the same investments in the chapter on Tax Credits to encourage the pursuit of certain activities.

The entities subject to the general tax rate (which include entities of a reduced size, starting on January 1, 2016) or to the rate of 30%, will have the following options in relation to these tax credits:

- The tax credits generated in tax periods commencing on or after January 1, 2013, can be applied, optionally, without limit of tax payable but with a 20% discount in their amount.
- Nevertheless, even in case of insufficient tax payable (before applying the aforementioned discount), it is established the possibility to request the payment of the tax credits from the tax authorities through the tax return in cash (this being known as “monetization of the tax credit”). The payment of these amounts will not be deemed a refund of amounts incorrectly paid over and will not generate the right to collect late-payment interest even if it is made more than 6 months after the request.

In the case of the tax credit for technological innovation activities, the tax credits taken or collected in these circumstances cannot exceed as a whole €1 million annually. Moreover, an overall limit of €3 million is established for R&D and technological innovation tax credits taken or collected as indicated. Both limits will apply to the entire group of companies in the case of entities forming part of the group according to the criteria of article 41 of the Commercial Code.

In order to apply the two mechanisms, the following requirements must be met:

- At least 1 year must elapse following the end of the tax period in which the tax credit was generated without its having been taken.
- The average workforce or, alternatively, the average workforce assigned to R&D and technological innovation activities must be maintained from the end of the tax period in which the tax credit was generated until the end of the period indicated in the following point.
- In the 24 months following the end of the tax period for which the tax return recorded the use or collection of the tax credit, an amount equal to the tax credit used or collected must be assigned to R&D or technological innovation activities or to investments in property, plant or equipment or intangible assets used exclusively in those activities, excluding real estate.

²¹ For tax periods starting on or after January 1, 2011, the following tax credits were abolished: tax credit for export activities; tax credit for investment in vehicle navigation and tracking systems, tax credit for adaptation of vehicles for the disabled and for daycare centers for employees' children; tax credit for professional training expenses (save for those derived from expenses to familiarize employees with the use of new technologies); and tax credit for company contributions to employee pension plans. Effective for fiscal years commenced in 2015 onwards, the tax credit for reinvestment of extraordinary income was abolished.

²² Effective for tax periods which commenced during the course of 2020 and 2021, this tax credit percentage was increased to 50% (for small and medium-sized enterprises) or to 15% (for large companies meeting certain requirements) for expenses incurred on projects initiated as from June 25, 2020 entailing the performance of technical innovation activities resulting in a technological advancement in obtaining new production processes in the automotive industry's value chain, or substantial improvements in pre-existing ones.

- The taxpayer must have obtained a reasoned report on the classification of the activity as R&D or technological innovation, or an advance pricing agreement on the expenses and investments relating to those activities.
- ii. Other tax credits for investments.
 - Tax credit for investments in film productions, audiovisual series and live performing and musical arts productions.
 - a. A 30% tax credit is provided for the first €1 million of the tax base and a 25% tax credit for the excess in respect of investments in Spanish productions of feature films, short films and fiction series, animated films or documentaries that allow the construction of a physical support prior to industrial production, subject to a maximum tax credit of €20 million, for years starting on or after January 1, 2020²³. In addition, from 2023, a maximum limit for audiovisual series of €10 million per episode produced has been introduced.

The tax credit calculation base is formed by the production cost and expenses incurred to obtain copies, and advertising and promotion expenditure, incurred by the producer, up to 40% of the production cost. At least 50% of the calculation base must relate to costs incurred in Spain. Grants received to finance the investments will reduce the tax credit calculation base.

For fiscal years commencing on or after January 1, 2020, an additional tax credit of 30% is allowed (on the tax credit base established previously) where the producer is in charge of executing visual effects

services, and the expenses incurred in Spain are less than €1 million. In this case, the tax credit will be limited to the amount that is established in Commission Regulation (EU) 1407/2013 of 18 December.

In the case of co-productions, the amounts will be calculated for each co-producer based on their share of the co-production.

- b. Producers entered in the Administrative Register of the Institute of Cinema and Audiovisual Arts that execute a foreign feature film production or audiovisual productions that allow the construction of a physical support prior to industrial series production will qualify for a 30% tax credit with respect to the first €1 million of tax credit base, and 25% on the excess, provided the expenses are at least €1 million. However, for expenses on preproduction and post-production of animated films and visual effects incurred in Spain, the limit is set at €200,000.

The tax credit generated in each tax period may not exceed the amount of €20 million for each production made²⁴. In addition, from 2023, a maximum limit for audiovisual series of €10 million per episode produced has been introduced.

Effective as from July 5, 2018, new obligations have been introduced for producers who avail themselves of the tax incentive (i.e. the inclusion of a specific reference to the tax incentive in the credits and in the advertising of the production, the submission of certain documentation relating to the production to the Spanish institute of film and audiovisual arts, etc.).

- c. Costs incurred to produce and exhibit live performing and musical arts productions will qualify for a tax credit equal to 20% of direct artistic, technical or promotional costs, less grants received.

The tax credit generated in each tax period may not exceed €500,000 per taxpayer.

- d. The taxpayers that participate in the financing, without acquiring intellectual property or other rights, of Spanish productions of feature or short films, series of fiction, animation or documentaries, or of the production and exhibition of live shows of performing arts and music, carried out by another taxpayer, shall be entitled to the aforementioned tax credits, provided they execute a financing agreement with the producer which stipulates, among other aspects, (i) the identity of the taxpayers that participate in the production, (ii) the description of the production, (iii) the production budget, and (iv) the form of financing, specifying the amount of funds provided.

In all cases, the tax credit taken may not exceed 1.20 of the sums disbursed for the financing, although the excess may be applied by the producer.

The tax credit will be applied by the finance provider according to the funds disbursed in each tax period.

²³ For tax periods commencing prior to January 1, 2020, the tax credit was 25% for the first €1 million of the tax base and 20% for the excess. Moreover, before January 1, 2023, the limit was 10 million.

²⁴ For tax periods commenced prior to January 1, 2017, this amount was €2.5 million. For tax periods commenced between January 1, 2017 and December 31, 2019, it was €3 million. Subsequently, for fiscal years 2020, 2021 and 2022, the amount was set at 10 million.

In any case, the finance providers must submit the financing agreement and certification of fulfillment of the requirements established for that purpose by filing a communication with the tax authorities, signed by them and by the producer, prior to the end of the tax period in which the tax credit is generated.

The reporting of the tax credit by the finance provider shall be incompatible, in full or in part, with the tax credit to which the producer would be entitled.

- Tax credit for hiring workers with disabilities.

This tax credit is calculated per person/year of increase in the average number of disabled persons hired by the taxpayer during the tax period, with respect to the average number of disabled employees in the immediately preceding period. In particular, the tax credit applies in two tranches:

- €9,000 per person with a degree of disability of between 33% and 65%.
- €12,000 per person with a degree of disability exceeding 65%.

There are no requirements regarding the indefinite term or otherwise of the employment contracts or the fulltime employment.

The employees that entitle the taxpayer to take this tax credit will not be computed for purposes of the provision establishing unrestricted amortization with job creation.

- Tax credits for job creation.

Entities that hire their first worker under the indefinite-term employment contract established to support entrepreneurs can take a tax credit of €3,000, provided that the worker is under the age of 30.

Notwithstanding that tax credit, entities can take a second tax credit where they meet the following requirements:

- Their workforce is less than 50 when they sign indefinite-term employment contracts for the support of entrepreneurs.
- They hire unemployed persons receiving unemployment benefits.
- In the 12 months following the commencement of the employment relationship, there is, in respect of each worker, an increase in the total average workforce of the entity of at least one unit with regard to that existing in the previous 12 months.
- The hired worker had received unemployment benefits for at least 3 months before the commencement of the employment relationship. For these purposes, the worker will provide the entity a certificate from the Public National Employment Service on the amount of the benefits yet to be received at the envisaged date of commencement of the employment relationship.

Specifically, the amount of this second tax credit (which will only apply with respect to contracts formalized in the tax period and until the workforce reaches 50 employees) will be 50% of the lower of the following amounts:

- The amount of the unemployment benefits yet to be received by the worker at the contract date.
- The amount of 12 monthly unemployment benefits recognized to the worker.

- Tax credits for employer contributions to employee welfare plans²⁵.

The tax credit is equal to 10% of employer contributions imputed to workers with gross annual compensation below €27,000, provided the contributions are made to occupational pension plans, welfare plans, pension plans under Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December, or to employee benefit mutual insurance companies which act as a provident instrument of which the party concerned is a sponsor. Where compensation is equal to or exceeds the amount indicated, the credit is to be calculated based on the proportional part of the contributions corresponding to the gross annual compensation received.

iii. Common rules on tax credits for investment

In general, the abovementioned tax credits (for Spanish motion picture or audiovisual productions, R&D and technological innovation, hiring workers with disabilities and, creating jobs) are limited to 25% of the gross tax payable, net of domestic and international double taxation tax credits and of tax allowances (the limit will be raised to 50% where the amount of the tax credits for research and development activities and technological innovation and for investments in film productions, audiovisual series and live shows of performing arts and music

²⁵ Introduced by Law 12/2022 of June 30.

that relate to expenses incurred and investments made in the tax period itself exceeds 10% of the gross tax payable).

However, any excess can be carried forward for use in the following 15 years (in the case of the tax credit for scientific research and technological innovation activities, the period will be up to 18 years). The period will be counted from the first subsequent year in which an entity reports taxable income in the case of newly-incorporated entities or entities offsetting prior year's losses by effective contributions of new resources.

The Administration's right to initiate inspection proceedings in relation to the tax credits envisaged in the preceding sections, that have been taken or are outstanding use, will become statute-barred 10 years as from the day following the end date of the period stipulated for the filing of the tax return or self-assessment for the tax period in which the right to apply the tax credits was generated.

Once that period has elapsed, the taxpayer must evidence the tax credits that it intends to offset by exhibiting the assessment or self-assessment and the accounting records, including evidence that they have been filed at the Mercantile Registry during that period.

2.1.5 TREATMENT OF DOUBLE TAXATION

The tax credit and exemption scheme stipulated in the previous regulations based on the type of income was amended substantially by the current law (for tax periods commencing as from 2015), through a general exemption scheme for significant shareholdings applicable in both the domestic and international arenas.

To summarize:

- a. For dividends or shares of profits from shareholdings in resident entities, the previous law (applicable up to 2014) established a tax credit that could amount to 100% or 50% of gross tax payable on the tax base for the income, based on the shareholding percentage and the time during which the shares were owned.

There is now an exemption scheme similar to the scheme existing before, for shareholdings in non-resident companies, as described below.

- b. Income from the transfer of shares in resident companies was subject to the specific provision that a tax credit could be applied in certain cases in respect of reserves accumulated by the investee during the shareholding period.

The exemption now applies to this income, also in line with the scheme already in force up to 2014 for foreign-source income where certain requirements were met.

- c. Dividends and income from shareholdings in non-resident entities and income obtained by permanent establishments abroad will remain exempt, although some changes have been made in terms of the exempt amount and the related requirements.

- d. Lastly, the law maintains the tax credit for both (i) income and capital gains obtained abroad and (ii) foreign-source dividends and shares in income, as an alternative to an exemption. The law also maintains the possibility of deducting tax paid abroad when the tax base includes income obtained and taxed outside Spain, up to the limit of the tax that would have been payable in Spain had the income been obtained in

Spain, it is now possible to deduct in the tax base the excess foreign tax that cannot be applied as a tax credit because the above-mentioned limit is exceeded.

Basically, under this tax credit method, the entire amount of income or capital gains obtained abroad by companies resident in Spain must be included in the tax base in order to calculate the tax, but the taxes actually paid by the taxpayer abroad are deducted from the resulting amount of tax (tax payable), up to the limit of the tax that would have been paid on the income had it been obtained in Spain. The calculation is made by including in the tax base all the income obtained in the same country, except in the case of permanent establishments, where the income obtained by each permanent establishment is grouped together.

In the case of dividends or shares in income paid by an entity not resident in Spain, the tax actually paid by this entity on the profits out of which the dividend is paid (known as the underlying tax) may also be deducted.

The deduction of this underlying tax applies without limit regarding tier (i.e., that of the subsidiaries, their subsidiaries and so on). The requirements for deducting this underlying tax are that the direct or indirect shareholding in the non-resident entity must be at least 5% and such shareholding must have been held uninterruptedly for one year prior to the year of the dividend distribution (or the one-year period must be completed following the distribution), and the resident entity must include in its tax base the profits of the entity that pays out the dividend.

The sum of both deductions (of the underlying tax and of the tax borne by the taxpayer abroad) may not exceed the gross tax that would have been payable in Spain on the income.



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Amounts not deducted because gross tax payable is insufficient may be offset in subsequent tax periods.

In any event, for fiscal years commencing after January 1, 2021, a cap is placed on this tax credit, reducing the base used to calculate the tax payable which acts as a maximum amount for the credit, by 5% of the income received in respect of nondeductible management costs. This limit will not apply at entities with net revenues below €40 million, subject to the same conditions and requirements as those which will be discussed for the purposes of the limit on the exemption regime in [section 2.1.5.3](#).

By means of Royal Decree-Law 3/2016, of December 2, a limit was placed on the application of these credits for the avoidance of double taxation for entities whose net revenues for the preceding 12 months amounted to at least €20 million. Specifically, the combined application of those tax credits could not exceed 50% of gross tax payable for the year.

This limit was temporarily eliminated following the aforementioned Constitutional Court judgment no. 11/2024 of January 18, 2024. However, it has been reestablished by Law 7/2024, of December 20, with effects starting in the same year (2024).

2.1.5.1 DIVIDENDS AND INCOME FROM SHAREHOLDINGS IN ENTITIES RESIDENT IN SPAIN: EXEMPTION SCHEME

As indicated, the law now establishes a general exemption method for this type of income derived from resident entities.

In order to apply this exemption, the shareholding in the resident entity (i) must be at least 5%²⁶ and (ii) must be held uninterruptedly for at least 1 year, although any period during which the shareholding

was owned by a different group company as defined in article 42 of the Code of Commerce may be taken into account.

In the event that the investee obtains dividends, shares of profits or income from the transfer of shares or equity interests in other entities, representing over 70% of its income, the exemption for such amounts may be applied provided the taxpayer has an indirect interest in those entities that fulfills the above-mentioned percentage or acquisition value and ownership requirements.

The income percentage (70%) will be calculated based on the consolidated profit for the year in the event that the directly-owned entity is a parent of a group as defined in article 42 of the Code of Commerce and issues consolidated annual accounts.

In the case of an indirect interest in subsidiaries at level 2 or lower, the minimum 5% interest must be observed, unless the subsidiaries meet the requirements of article 42 of the Code of Commerce to form part of the same group of companies as the directly owned entity and issue consolidated financial statements.

The indirect shareholding requirement will not be applicable when the taxpayer demonstrates that the dividends or shares of profits received have been included in the tax base of the directly or indirectly owned entity as dividends, shares of profits or income from the transfer of shares or equity interests in entities not entitled to apply an exemption scheme or a double taxation tax credit scheme.

The creation of this exemption scheme for income obtained from the transfer of shares in entities resident in Spain for periods commencing on or after January 1, 2015 entails (i) the elimination of the rules that were designed to avoid double taxation on the distribution of dividends, since such double taxation no longer occurs because the income obtained by the transferring parties

will be exempt in the future, and (ii) the continued application of those rules on a transitional basis for cases in which the shares were acquired prior to that date and the former owners of the shares had actually paid tax in Spain as a result of the transfer of those shares.

2.1.5.2 DIVIDENDS AND INCOME FROM SHAREHOLDINGS IN NON-RESIDENT ENTITIES: EXEMPTION SCHEME

This exemption was already established previously although changes have been made to it for fiscal years as of 2015.

In order to apply this exemption, in addition to fulfilling the percentage and ownership requirements referred to in the previous section, the investee entity must have been subject to and not exempt from a tax that was identical or analogous to CIT at a nominal rate of at least 10%, irrespective of the application of any kind of exemption, allowance, reduction or tax credit.

The “identical or analogous tax” requirement will be deemed fulfilled when the investee is resident in a country with which Spanish has concluded an international double taxation treaty that is applicable to the investee and contains an information exchange clause.

²⁶ Law 11/2020, of December 30, on the General State Budgets for 2021 (2021GSB Law) eliminated, effective for periods commencing on or after January 1, 2021, the possibility that this minimum shareholding requirement be deemed fulfilled (for the purposes of the exemption) when the shareholding is below 5% but the acquisition value exceeds €20 million. However, transitional rules are established whereby the exemption will apply during the tax periods commencing in 2021, 2022, 2023, 2024 and 2025 in connection with dividends arising from shareholdings that, at January 1, 2021, while below 5%, met the requirement of the acquisition value exceeding €20 million. These transitional rules will also apply to the international double taxation tax credit in the case of dividends and shares in income.

In no case will this requirement be deemed met where the investee is resident in a country or territory classed as a tax haven, unless that country or territory is a Member State of the EU and the taxpayer proves that its formation and operations are based on valid economic reasons and that it performs economic activities.

In the event that the non-resident investee obtains dividends, shares of profits or income from the transfer of shares or equity interests in entities, the exemption for such amounts may be applied provided the “identical or analogous” tax requirements is fulfilled at least by the indirectly-owned entity.

As a general rule, it is not necessary for the investee’s results to derive from a business activity carried on abroad, which was a provision of the law prior to 2015.

2.1.5.3 LIMITATION OF EXEMPTION TO 95% OF INCOME OBTAINED

For fiscal years commencing after January 1, 2021, the 2021 GSB Law limited the exemption to 95% of the income obtained by the taxpayer and, accordingly, the remaining 5% must be included in the tax base in respect of nondeductible management costs.

In the case of tax groups, this nonexempt 5% cannot be eliminated, despite relating to dividends and income obtained from the transfer of securities distributed and obtained within the tax group (in other words, this limitation also affects dividends and income generated within tax groups, even if the taxpayer is the group itself).

In any event, the limit on the exemption will not apply to dividends or shares in income where the following requirements are met:

- In relation to the entity receiving the dividends or shares in income:
 - It must have net revenues below €40 million in the immediately preceding tax period.
 - It must not be considered an asset-holding entity for the purposes of article 5 of the Corporate Income Tax Law.
 - It must not form part of a business group within the meaning of article 42 of the Commercial Code before the creation of the subsidiary distributing the income, regardless of where it has its residence and of the obligation to prepare consolidated financial statements.
 - It must not own, before the creation of the subsidiary distributing the income, a direct or indirect interest in the capital or equity of another entity equal to 5% or more.
- In relation to the entity distributing the dividends or shares in income, it must have been formed after January 1, 2021 and have been wholly owned, directly or indirectly, since its creation by the recipient of the dividends.
- In relation to when the dividends or shares in income are distributed, they must be received in tax periods ending in the 3 years immediately preceding or following the year of creation of the subsidiary distributing them.

2.1.5.4 SPECIAL RULES GOVERNING THE APPLICATION OF THE EXEMPTION

- A proportional calculation formula is established for the exempt income in cases in which the non-resident investee entity

has not been subject to an “identical or analogous tax”, with respect to CIT, throughout the share ownership period.

- Also, a rule is established which limits the exemption where the holdings were acquired in a contribution of (i) assets other than holdings in entities, or of (ii) holdings in entities that do not meet the minimum percentage requirement or, fully or partially, the minimum taxation requirement (being holdings in non-resident entities), if that contribution was made pursuant to the special neutrality regime for business restructurings ([section 2.1.11](#)), such that the income obtained from that contribution was not included in the tax base for CIT or NRIT purposes.

In these cases, the exemption will not apply to the income that was deferred in that contribution unless it is proven that the acquiring entity has been taxed on that deferred income.

- The same type of limitation on the exemption is established in the case of holdings of personal income taxpayers that had received those holdings in a contribution of shares carried out under the special regime for business restructurings ([section 2.1.11](#)).

In these cases, where the holdings contributed in that restructuring are transferred in the 2 years after the contribution, the exemption will not apply to the income that was deferred in the contribution, unless it is proven that the individuals have transferred their holding in the entity during that period.

- The application of the exemption is precluded in the case of the transfer of shares in holding companies or economic interest groupings, in the part of the income that does not relate to an increase in retained earnings generated by the investee during the share ownership period. It is also not applicable to income from the transfer of shares in an entity that fulfills international



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tax transparency requirements, provided at least 15% of its income is subject to that regime.

2.1.5.5 INCOME GENERATED BY PERMANENT ESTABLISHMENTS

Positive income obtained abroad through a permanent establishment located outside Spain will be exempt provided the permanent establishment has been subject to and exempt from a tax that is identical or analogous to CIT at a nominal rate of at least 10%.

Income from the transfer of a permanent establishment that fulfills the taxation requirement at a nominal rate of at least 10%, in the terms stated above, will also be exempt.

Lastly, the possibility of operating in the same country through different permanent establishments is specifically envisaged, in which case the exemption or tax credit regime will be applied to each permanent establishment separately.

2.1.6 TREATMENT OF IMPAIRMENT EXPENSES AND LOSSES DERIVED FROM HOLDINGS IN ENTITIES AND THE OWNERSHIP OF PERMANENT ESTABLISHMENTS ABROAD

As has just been summarized in [section 2.1.5](#), the CIT Law establishes rules to prevent double taxation in relation to shares or holdings in entities. This double taxation is basically prevented through the application of an exemption on the income derived from holdings (dividends, capital gains) provided they meet certain requirements. As seen, these requirements

mainly refer to the holding (percentage, ownership period) or, in the case of non-resident entities, to the minimum taxation required. The same type of exemption is established for income from permanent establishments abroad.

For fiscal years commencing as from 2017, the lawmaker introduced a parallelism between these benefits and the use of the losses incurred on those holdings. Thus, if a holding gives the right to the exemption on the income derived from it (dividends and capital gains), the losses (on transfer or impairment) incurred on that holding cannot be deducted. Before this reform, there were already certain restrictions on the use of losses but now, the restrictions have been extended (although we will discuss some of the restrictions that applied before 2016, for a better understanding of the issue, we refer to previous versions of this Guide).

This reform has been carried out through the amendment of the articles of the law referring to the timing of recognition of income, the deductibility of impairment expenses, nondeductible expenses and the exemption for dividends and capital gains. Given the complexity of this legislation, in this section we provide a systematic summary (not according to each of the articles of the law) of the treatment of the losses incurred on holdings in entities.

In order to understand this treatment, a distinction must be made between two types of holdings in entities:

- a. Those which we will refer to as “qualifying” holdings, i.e., holdings which give a right to the exemption for dividends and capital gains. They are holdings which meet the requirements of (i) percentage holding of at least 5% (owned for at least 1 year, and (ii) in the case of nonresident entities, holdings in

entities with a minimum level of taxation (a nominal rate of at least 10%).

- b. Those which we will refer to as “non-qualifying”, i.e., holdings which do not meet the abovementioned requirements.

As stated previously, what the lawmaker has intended is that if a holding can benefit from the exemption for dividends and capital gains, then the losses incurred on that holding will never be deductible. With regard to other losses, they may be deducted before or after (at times reduced by certain amounts, as we shall explain below), and all of the foregoing with certain exceptions that will be noted.

On a summarized and systematic basis, the treatment is the following:

2.1.6.1 “QUALIFYING” HOLDINGS

- The losses derived from their transfer will never be deductible. The non-deductibility of the losses, however, will be partial when the right to apply the exemption is also partial.

Along the same lines, the losses incurred abroad as a consequence of the transfer of a permanent establishment will not be deductible either.

- The impairment losses in respect of the holdings will not be deductible, on a permanent basis.
- However, the deductibility of the losses generated on the dissolution of the investee is expressly recognized, unless such dissolution is the consequence of a restructuring transaction or in case of the cessation of the permanent establishment.



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In that case, the deductible amount of losses will be reduced by the amount of dividends or shares in income received from the investee or net income of the permanent establishment (depending on the case), obtained or generated in the 10 years preceding the dissolution date, provided that:

- In the case of holdings in entities, those dividends or shares in income have not reduced the acquisition value and have had the right to apply an exemption or tax credit for the elimination of double taxation, in the amount of the exemption or tax credit.
- In the case of permanent establishments, the net income has had the right to apply an exemption or tax credit for the elimination of double taxation, also in the amount of that exemption or tax credit.

2.1.6.2 “NON-QUALIFYING” HOLDINGS

- In general, in the case of holdings in nonresident entities that do not meet the minimum taxation requirement (or that are located in tax havens), the losses or impairment expenses will not be deductible ever.

This includes value reductions derived from the application of the fair value method, and which are allocated to the income statement, unless previously, an increase in value for the same amount has been included in the tax base as a consequence of the holding of uniform securities.

In the case of holdings in tax havens, the impairment expenses or losses may be deducted (where the rest of requirements are met for deductibility) only if the company resides in a Member State of the EU and the taxpayer evidences that its formation and operations are based on valid economic reasons and that it performs economic activities.

- In all other cases:

- The impairment expenses relating to holdings will not be deductible but this is a timing difference (because when the loss materializes, it could become deductible, as explained below).
- In the case of losses derived from intra-group transfers, as in any other kind of assets, the allocation of the loss is deferred until the holdings are transferred to third parties unrelated to the group, or the transferring entity or the acquirer leaves the group.

In those cases, when the losses are included, they must be reduced by the amount of income generated on the transfer to third parties²⁷.

In the event of dissolution of the investee, the losses can be included in the tax base unless the dissolution is the result of a restructuring transaction²⁸ or of any case of succession in the business activity.

- The losses incurred on the transfer to third parties will be included in the tax base but will also be reduced by the amount of income generated on any preceding intra-group transfer to which an exemption or tax credit for double taxation has been applied.
- In addition, the amount of losses will be reduced by the amount of dividends or shares in income received from the investee as from the tax period commencing in 2009, provided that those dividends or shares in income have not reduced the acquisition value and have had the right to apply the exemption for the prevention of double taxation.

2.1.7 MINIMUM TAXATION

Effective for periods commencing on or after January 1, 2022, a minimum taxation rule is introduced for the following taxpayers:

- Those whose net revenues are at least €20 million in the 12 months prior to the first day of the tax period.
- Those who are taxed on a consolidated basis, regardless of their net revenues.

In all events, the minimum taxation shall not apply to taxpayers that are taxed at 10% (nonprofit organizations that are subject to Law 49/2002, of December 23, on the tax regime for not-for-profit entities and on tax incentives for patronage), 1% (harmonized collective investment undertakings) or 0% (pension funds and listed corporations for investment in the real estate market – SOCIMI).

In general, the net tax liability may not be below the so-called “minimum net tax payable” which corresponds to 15% of the tax base, reduced or increased by the amounts derived from the leveling reserve, and reduced by the investment reserve regulated in article 27 of Law 19/1994, of July 6, amending the Canary Island Economic and Tax Regime.

However, the minimum net tax payable will be:

- The result of multiplying the scale of rates applicable to entities with net revenues below €1 million, and to small-size entities mentioned in [section 2.1.3](#) above, by 15/25, rounded up.

²⁷ In fiscal years prior to 2017, the subtraction of the losses from the taxable income could be avoided if the income had been taxed at an effective tax rate of at least 10%.

²⁸ Up to 2016, only if the restructuring was carried out under the special regime discussed in [section 2.1.11](#).

- 10%, in the case of newly formed entities that are taxed at the rate of 15%.
- 18%, in the case of credit institutions and entities engaging in exploration, research and mining of mineral deposits and underground hydrocarbon storage facilities.
- Not less than the result of applying 60% to the gross tax calculated according to Law 20/1990, of December 19, in the case of cooperatives.

In the case of application of (i) reductions, (ii) the tax credit for investments by port authorities, and/or (iii) tax credits for the avoidance of double taxation, the minimum net tax payable will be calculated as follows:

- If the reductions and said tax credits reduce the net tax liability to below the minimum net tax payable, the result of subtracting these reductions and tax credits from the gross tax shall be deemed the minimum net tax payable.
- If, after applying the reductions and said tax credits, the result is higher than the minimum net tax payable, the rest of tax credits shall be applied, with the applicable limits, until reaching the amount of the minimum net tax payable.

2.1.8 WITHHOLDINGS AND ADVANCE PAYMENTS

Non-operating income, such as interest, rent and dividends, must be subject to withholding tax at source, as an advance prepayment against the final tax liability.

In addition, with certain exceptions, leases of certain types of real estate are subject to withholding tax at source on the rent paid to lessors²⁹.

Moreover, Spanish companies are also required to make three advance payments (in April, October and December of each year) based on the following methods:

- Calculation of prepayments based on tax payable (the “tax payable” method): Taxpayers with revenues not exceeding €6 million in the 12 months prior to the date on which their tax period commences will, as a general rule, make the prepayments by applying the rate of 18% to the gross tax payable (net of the related tax credits) of the last tax year whose deadline for filing a return has elapsed.
- Calculation of prepayments based on the tax base (the “tax base” method): This method is obligatory for taxpayers with revenues exceeding €6 million in the 12 months prior to the date on which their tax period commences, and optional for any other taxpayer that expressly decides to follow this method.

The prepayment is calculated on the portion of the tax base for the first three, nine or 11 months of the calendar year, applying a rate equal to 5/7 of the applicable tax rate (for taxpayers taxed at the standard rate, the advance payment would be 20% in 2015 and 17% from 2016 onwards). Certain reductions, withholdings from the taxpayer's income and prepayments made during the tax period will be deducted from the resulting tax payable.

Notwithstanding, starting with the second prepayment of the 2016 tax period and for taxpayers whose revenues in the 12 months prior to the first day of the tax period are at least €10 million, the tax rate applicable to prepayments has been increased (generally, to 24%) and the rule has been reinstated, establishing a minimum prepayment which was no longer going to apply starting in 2016. Thus, the amount payable cannot in

any case be less than 23% (25% for entities with a tax rate of 30%) of the income recorded on the income statement.

The following items are excluded from the income recorded on the income statement: (i) the income derived from payment deferrals and debt write-offs agreed with the taxpayer's creditors (except the portion of their amount that is included in the tax base of the period) and (ii) the amount derived from increases in capital or equity through debt capitalization not included in the tax base.

The withholdings and prepayments can be taken as tax credits in the annual return for the corresponding year. If the sum of such credits exceeds the final tax payable, the company is entitled to a refund for the excess prepaid.

2.1.9 CONSOLIDATED TAX REGIME

Spanish CIT Law envisages the possibility of certain corporate groups being taxed on a consolidated basis.

The filing of a consolidated return has certain advantages, most notably the fact that the losses obtained by some group companies can be offset against the profits of the others. Also, since inter-company profits are eliminated in calculating consolidated income, the arm's-length test being applied in the valuation of inter-company transactions could be irrelevant³⁰ (see the previous comments on this issue). However, the consolidated tax regime also has

²⁹ Royal Decree-Law 20/2011, of December 30 raised the standard withholding rate from 19% to 21% for fiscal years 2012 and 2013. This 21% rate was subsequently extended for 2014. For fiscal year 2015, the general withholding rate was 20%, and 19% for 2016 onwards.

³⁰ In such cases, the legislation excludes transactions performed within the tax group from the documentation obligation generally applicable to related-party transactions.



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disadvantages. For example, the minimum general deduction of finance costs (€1 million) is not multiplied by the number of entities in the tax group but is a single deduction for the group as a whole.

For tax purposes, a consolidated group is a set of entities resident in Spain in which either a resident or a nonresident entity has a direct or indirect ownership interest of at least 75%³¹ of the capital and holds a majority of the voting rights of one or more other entities that are deemed subsidiaries on the first day of the tax period in which this tax regime applies.

Where an entity not resident in Spain or in a country or territory classified as a tax haven, with legal personality and subject to and not exempt from a tax identical or similar to Spanish CIT, has the status of parent with respect to two or more subsidiaries, the tax group will be formed only by the subsidiaries (all of which are to be included obligatorily).

Solely for the purpose of applying the consolidated tax regime, the permanent establishments of nonresident entities will be deemed Spanish resident investees, in which those nonresident entities own 100% of the capital and voting rights.

In order to request the application of the consolidated tax regime, the following requirements will have to be met:

- The controlling company or permanent establishment must have a direct or indirect holding of at least 75% in the capital stock of another company and must hold a majority of the voting rights of one or more other entities that are deemed subsidiaries on the first day of the tax period in which this tax regime applies.
- That holding and those voting rights must be maintained throughout the tax period.

- It must not be a direct or indirect subsidiary of any other company that meets the requirements to be deemed the parent.
- It must not be subject to the special regime for economic interest groupings, whether Spanish or European, joint ventures or like regimes.
- In the case of permanent establishments of entities not resident in Spain, those entities must not be direct or indirect subsidiaries of any other that meets the requirements to be deemed the parent, and they must not reside in a country or territory classed as a tax haven.

Resolutions to apply the tax consolidation regime to the group companies must be adopted by the Board of Directors (or equivalent body if they are not formed under the Commercial Code), and the tax authorities must be notified at any time during the tax period immediately prior to that in which the consolidated tax regime is applied. The regime will be applicable indefinitely so long as its application is not waived.

The status of representative of the tax group will fall on the parent where it is a resident in Spain, or on such entity of the tax group designated by it, where there are no other Spanish resident entities that meet the requirements to be deemed the parent.

As a new feature, effective for fiscal years 2023, 2024 and 2025, the offsetting of tax losses generated in the same period within the tax group is temporarily restricted. Specifically, when determining the tax base of the group, positive taxable income and only 50% of negative taxable income is to be aggregated. Unused tax losses (the remaining 50%) will be included in the tax base of the group in equal parts in each of the first ten tax years starting on or after the following fiscal year, even if any of the entities with individual tax losses are excluded from the group.

2.1.10 FOREIGN-SECURITIES HOLDING ENTITIES

The legislation of the regime governing foreign-securities holding entities (in Spanish, ETVEs) has been configured as one of the most competitive in the EU. However, due to the generalized application of the exemption for dividends and capital gains from foreign sources, together with the extensive network of tax treaties signed by Spain (which in many cases permit the non-taxation at source of dividends and capital gains derived from foreign holdings in entities resident in Spain) and the transposition into Spanish legislation of the Parent-Subsidiary Directive, this regime has lost its attraction (albeit not in all cases).

The main features of this special regime are summarized below.

2.1.10.1 TAX TREATMENT OF THE INCOME OBTAINED BY THE ETVE FROM HOLDINGS IN NONRESIDENT ENTITIES

The dividends or shares in the income of entities not resident in Spain, and gains deriving from the transfer of the holding, are exempt subject to the requirements and conditions provided for under the exemption method to avoid international double taxation (and with the same limits).

As stated, a minimum holding of at least 5% must be owned in the nonresident entity to apply the aforementioned method. For

³¹ Regarding entities whose shares are admitted to listing on a regulated market, the minimum holding of a parent company in its subsidiaries is reduced to 70% for the purposes of the definition of 'tax group', so long as they are subsidiaries whose shares are admitted to trading on a regulated market. The reduction will apply in tax periods beginning on or after January 1, 2010.

the purpose of applying the exemption provided for in the ETVE regime, the minimum holding requirement is deemed to be met if the acquisition value of the holding is over €20 million.

Holdings of less than 5% may be held in second and subsequent level subsidiaries (when the €20 million requisite is maintained), if these subsidiaries meet the conditions referred to in article 42 of the Commercial Code for forming part of the same group of companies as the first-level foreign entity and file consolidated financial statements.

The aforementioned €20 million limit does not apply at entities that already applied the ETVE regime in tax periods commencing before January 1, 2015 and met the quantitative limit of €6 million at their investees (which is the limit that was established in the legislation prior to that currently in force).

2.1.10.2 TREATMENT OF INCOME DISTRIBUTED BY THE ETVE

If the recipient of the income is an entity subject to Spanish CIT, the income received will entitle the recipient to the exemption for domestic double taxation.

In case the recipient is an individual subject to Spanish PIT, the income distributed will be considered savings income and the individual may apply the tax credit for taxes paid abroad on the terms provided for in PIT legislation.

Lastly, when the recipient is an individual or entity not resident in Spain, the profits distributed will not be deemed to have been obtained in Spain and, in this respect, the first distribution of profits will be deemed to derive from exempt income. In this respect, the distribution of additional paid-in capital is to be treated in the same way as the distribution of income, it being considered that the first income distributed comes from exempt income.

2.1.10.3 TREATMENT OF THE CAPITAL GAINS OBTAINED ON THE TRANSFER OF THE HOLDINGS IN THE ETVE

When the shareholder is an entity subject to Spanish CIT or NRIT with a permanent establishment in Spain, it may apply the exemption to avoid double taxation (where it meets the percentage holding requirements established in the article regulating the exemption and with the same limits).

When the shareholder is a person or entity not resident in Spain, the income relating to the reserves allocated with a charge to the exempt income or to the value differences imputable to the holdings in nonresident entities which fulfill the requirements to apply the exemption to foreign source income, will not be deemed to have been obtained in Spain.

No special rules have been introduced for individual resident shareholders, who will be subject to PIT legislation.

2.1.10.4 CORPORATE PURPOSE AND APPLICATION OF THE ETVE REGIME

The regime may be applied by notifying the Ministry of Finance (which need not grant permission to the taxpayer) of the fact that it has been opted for.

In order to apply the regime:

- The securities or interests representing the holding in the capital of the ETVE must be registered securities or interests. Therefore, the special regime is not available for listed companies.

- The corporate purpose of the ETVE must include the management and administration of securities representing the equity of entities not resident in Spanish territory, by means of the appropriate organization of material and personal resources.

2.1.10.5 OTHER ISSUES

- ETVEs can belong to a consolidated tax group, if they meet the relevant requirements.
- The ETVE regime is not applicable to Spanish or European Interest Groupings, to joint ventures, or to entities which have as their principal activity the management of movable or immovable assets under certain conditions

2.1.11 TAX NEUTRALITY REGIME FOR RESTRUCTURING OPERATIONS

In order to facilitate corporate reorganizations (mergers, spin-offs, contributions of assets, and exchanges of securities and transfers of registered office of a European company or a European cooperative society from one EU Member State to another), Spanish law provides for a well-established special regime based on the principles of non-intervention by the tax authorities and tax neutrality, which guarantees the deferral of or exemption from taxation, as appropriate, in respect of both direct and indirect taxation, for taxpayers carrying out such operations, along the same lines as the rest of the EU Member States.

Starting in fiscal year 2015, this regime is expressly configured as the general regime to be applied to restructuring transactions, meaning that the election to apply it has been eliminated. Instead,

there is now a general obligation to notify the tax authorities of the performance of transactions to which this regime is applicable.

In mergers, the absorbing entity can be subrogated to the right to offset tax loss carryforwards of the absorbed entity or branch of activity.

2.1.12 TAX INCENTIVES FOR SMALL AND MEDIUM-SIZED ENTITIES

Entities whose net sales in the immediately preceding tax period (or in the current period in the case of newly-incorporated enterprises) amount to less than €10 million qualify for certain tax incentives. If the enterprise belongs to a group of companies within the meaning of article 42 of the Commercial Code, the net sales figure will be calculated for the group as a whole.

This regime does not apply if the entity has the consideration of an asset-holding entity.

The special regime also applies:

- During the **three successive tax periods following** that in which the €10 million threshold is reached (provided that the conditions are met for these entities to be deemed entities of a reduced size, both in the period in question and in the two preceding tax periods).
- Where the €10 million threshold is exceeded as a consequence of **a business restructuring carried out under the special tax neutrality regime**, provided that all the entities involved in the transaction meet the conditions to be deemed entities of a reduced size, both in the tax period in which the transaction is performed and in the two preceding periods.

The incentives can be summarized as follows:

- Unrestricted depreciation of their tangible fixed assets up to certain limits, provided that certain job creation requirements are met.
- Entitlement to increase by 2 the maximum straight-line depreciation rates permitted per the official depreciation tables (even if it has not been recorded for accounting purposes) for new tangible fixed assets, investment property and intangible assets placed at the disposal of the taxpayer in the year in which it meets the requirements to be classed as an entity of reduced size (except, amongst others, goodwill and trademarks, which can be depreciated by multiplying by 1.5 the maximum depreciation rates permitted per the official depreciation tables).
- Ability to record provisions for bad debts based on 1% of the balance of their accounts receivable at the end of the tax period.
- For fiscal years starting on or after January 1, 2025, the tax rate being applied to this type of entities since 2016 (25%) will be reduced progressively from 24%, applicable to fiscal year 2025, to 20% applicable starting in fiscal year 2029, except in the case of newly created companies, which will be taxed at 15% in the year of their creation and the following year.
- Application of the “tax base leveling-out reserve” system, which entails a reduction of up to 10% of the tax base, with a maximum annual limit of €1 million (or the proportional amount if the entity’s tax period were shorter than a year). This tax benefit has the following characteristics:
 - i. This reduction will have to be included in the tax bases of the tax periods concluding in the 5 years immediately

following the end of the tax period in which the reduction was applied, as and when the entity obtains tax losses. The amount not included at the end of that term, because sufficient tax losses have not been generated, will be added to the tax base of the period in which that term ends.

- ii. A reserve shall be recorded for the amount of the reduction, out of income of the year in which the reduction is made, and it will be restricted during the aforementioned 5-year term. If this reserve cannot be recorded, the reduction will be conditional on the reserve being recorded out of the first income of the following fiscal years, in respect of which it is possible to record the reserve.

The breach of this requirement will trigger the inclusion in the tax base of the amounts that were reduced, plus 5%.

- iii. The amounts used to record this reserve cannot be applied simultaneously to the capitalization reserve also regulated in the current law.

2.1.13 TAX INCENTIVES FOR VENTURE CAPITAL FUNDS AND COMPANIES

Venture capital entities (both venture capital companies and venture capital funds) are subject to Spanish CIT and to the rules established in the general regime, with the special characteristics set out below.

2.1.13.1 TAX TREATMENT FOR VENTURE CAPITAL COMPANIES

- **Gains obtained by venture capital companies:** two different cases apply depending on whether or not the requirements



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for applying the exemption for double taxation mentioned in [section 2.1.5](#) of this chapter are met:

- If the requirements for applying the exemption are met, the gains obtained by the venture capital company are fully exempt.
- If the requirements for applying the exemption are not met, a partial exemption of 99% will apply to gains obtained on the transfer of holdings, providing the transfer occurs between the start of the second year in which the interest is held, calculated as from the time of acquisition or delisting, and the 15th year, inclusive. The fifteen-year period can be extended to 20 years in certain circumstances.

In the cases listed below, application of the 99% partial exemption requires fulfilment of certain additional conditions:

- o When over 50% of the investee's assets comprise buildings, at least 85% of the total carrying amount of the buildings must be used, without interruption and during the entire time the securities are held, for carrying out a non-financial and non-real estate business activity.
- o When a stake is held in a company that is subsequently listed on an official stock exchange (given that the corporate purpose of venture capital funds and companies is not to hold interests in listed companies), the venture capital company or fund must transfer its holding in that company within a maximum of 3 years from the date the company was admitted for trading. After that period, the entire amount of the gains obtained on the transfer

are included in taxable income and subject to no reductions whatsoever, although in this case the corresponding general CIT double taxation rules would still apply ([see section 2.1.5](#)).

- **Dividends or share profits obtained by the venture capital company:** the exemption indicated in [section 2.1.5](#) can apply to dividends obtained by this type of entity, irrespective of the percentage interest held and the duration for which the shares have been held.

2.1.13.2 TAX TREATMENT FOR SHAREHOLDERS OF VENTURE CAPITAL COMPANIES

The tax treatment applicable to both the gains generated on the transfer or reimbursement of shares or holdings in venture capital companies and the dividends or share profits distributed by these entities is as follows:

- Resident legal entity shareholder or nonresident legal entity shareholder with a permanent establishment: the gains in question are exempt, irrespective of the percentage interest held and the duration for which the shares or holdings have been held.
- Nonresident individual shareholder or nonresident legal entity shareholder without a permanent establishment: the gains in question will not be deemed to have been obtained in Spain.
- Resident individual shareholder: the gains in question will be taxed in accordance with the general rules set out in the PIT Law ([see section 2.2](#)).

2.1.14 OTHER SPECIAL TAXATION REGIMES

CIT legislation contains provisions governing special taxation regimes, established mainly as a result of the nature of the taxpayer or of the activities carried on by entities in a specific economic sector:

- a. Spanish and European Economic Interest Groupings (EIGs)

These entities and their members are subject to the general CIT rules, with the particularity that they do not pay the tax debt relating to the portion of their taxable income attributable to members resident in Spain and permanent establishments in Spain of nonresidents.

The nonresident members of a Spanish EIG are taxed pursuant to the NRIT Law and pursuant to the rules contained in the tax treaties. The nonresident members of a European EIG are only taxed in Spain on the income of the EIG attributed to them, if the activity performed by the members through the grouping gives rise to a permanent establishment in Spain.

- b. Temporary Business Associations (joint ventures)

These entities are taxed in the same way as EIGs. However, the foreign-source income (derived from activities carried on abroad) of a joint venture is tax-exempt (subject to application to the tax authorities).

The losses obtained by a joint venture of Spanish entities abroad are imputed to the tax bases of its members. If, in future years, the joint venture obtains income, it must be included in the tax base of its members up to the limit of the losses previously included.

c. Other special tax systems

Other special tax systems apply to industrial and regional development companies and collective investment institutions.

Special regimes for economic sectors apply to both mining companies, companies engaging in oil and gas research and exploitation activities and to shipping entities on the basis of tonnage.

Lastly, the international fiscal transparency regime, already explained above, is established.

2.1.15 FORMAL REQUIREMENTS

Unless otherwise stipulated in the bylaws, the fiscal year is deemed to end on December 31 each year, coinciding with the calendar year, although taxpayers can establish a different fiscal year not exceeding 12 months but which can be shorter if (i) the entity is extinguished, (ii) the entity moves its residence abroad, or (iii) its legal form is altered and the resulting entity is not subject to taxation, its tax rate changes or it is subject to a special tax regime.

The tax becomes chargeable, in general, on the last day of the tax period. Thus, if the tax period coincides with the calendar year, the tax is chargeable on December 31.

Annual returns must be filed and the tax paid within 25 days following the 6 months after the end of the tax period (generally, therefore, by July 25 of each year, in relation to the preceding tax period).

At present, the tax forms to be used to report the tax are the following:

- a. Form 200. This return is generally used by companies that are subject to common legislation on the tax, regardless of their activity or size.

This form must be filed telematically³².

- b. Form 220. Its use is obligatory for tax groups and it must be filed by the parent company of the group (this does not preclude the obligation for all the group entities to file a Form 200).

On December 1, 2021, Directive 2021/2101/EU of 24 November was published, amending Directive 2013/34/EU as regards the disclosure of CIT information by certain undertakings and branches. This directive was transposed into Spanish law by means of Law 18/2022, of December 21 (the Start-ups Law). The obligation (regulated in the terms set out in the directive) will be applicable for periods commencing as from June 22, 2024.

2.2 PERSONAL INCOME TAX

This tax, which is one of the pillars of Spain's tax system, is currently governed by Personal Income Tax Law 35/2006, of November 28, which has been amended by Law 26/2014, of November 27 and by Royal Decree 439/2007, of March 30, approving the PIT Regulations.

As discussed below, the taxation of nonresident individuals is regulated in a separate law (the Revised NRIT Law), which is analyzed in [section 2.3](#).

2.2.1 PERSONS SUBJECT TO THE TAX

The following persons are subject to PIT:

- Individuals habitually resident in Spanish territory.

- Individuals of Spanish nationality who are habitually resident abroad but fulfill any of the conditions laid down in the law (i.e. diplomatic and consular services, etc.).
- Moreover, any Spanish national who establishes his residence for tax purposes in a tax haven will remain subject to PIT (for the year in which residence is changed and for the following 4 years).

A taxpayer is deemed to be habitually resident in Spanish territory if any one of the following conditions is met:

- The taxpayer is physically present in Spanish territory for more than 183 days in the calendar year.

Sporadic absences are included in determining the length of time a taxpayer is present in Spanish territory, unless tax residence in another country is proved. In the case of territories designated in the regulations as tax havens, the authorities may require the taxpayer to prove that he was present in such territories for 183 days in the calendar year.

To determine the period spent in Spain, absences due to cultural or humanitarian cooperation, for no consideration, with the Spanish authorities are excluded.

- The main center or base of the taxpayer's activities or economic interests is in Spain, either directly or indirectly.

In the absence of proof to the contrary, an individual is presumed to be resident in Spain if his/her spouse/husband (from whom he/

³² The entry into force of Public Authorities and Common Administrative Procedure Law 39/2015 on October 2, introduced the legal obligation on legal entities and entities without separate legal personality to deal electronically with the public authorities. These electronic dealings cover both notifications and the filing of documents and requests through registration.



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she is not legally separated) and dependent under-age children are habitually resident in Spain.

Individuals who are payers of NRIT and are resident in a Member State of the EU may elect to be taxed under Spanish PIT if they demonstrate that their habitual domicile or residence is in another EU Member State and that at least 75% of their total income during the year was obtained as salary income or business income in Spain.

For fiscal years starting on or after January 1, 2016, civil law partnerships not subject to CIT, undistributed estates, joint property entities and other entities to which article 35.4 of General Taxation Law 58/2003, of December 17 refers, are not deemed taxpayers. The relevant income shall be attributed to the shareholders, heirs, joint owners or members, respectively, according to the pass-through tax regime established in the PIT Law.

2.2.2 TAXABLE EVENT

Taxpayers subject to PIT are taxed on their entire worldwide income, including the income of foreign entities (international fiscal transparency system), unless the nonresident entity is resident of a EU Member State. This international tax transparency regime is similar to that described above for CIT.

2.2.3 TAXATION SYSTEM AND TAXPAYER

The possibility of being taxed individually or jointly (as a family unit) is regulated. However, there is only one tariff but divided in two parts: the general one and the autonomous community one.

2.2.4 GENERAL STRUCTURE OF THE TAX

The law distinguishes between a general component and a savings component of taxable income. The general component is taxed according to a progressive scale of rates while the savings component is taxed at fixed rates (or according to a scale applied by income brackets).

The general and the savings net tax payable are calculated on the basis of the general and savings components after applying certain reductions.

Moreover, the general and the savings components of taxable income are calculated according to the categories of general and savings income, these categories constitute fixed compartments, with some exceptions, such that, within each category, the income items are integrated and offset against each other but without the possibility of offsetting losses with the losses of other categories of income. Within each category, there are even sub-compartments that cannot be offset against each other.

In this regard, the **general component** of taxable income is the result of adding the following two balances:

- a. The balance resulting from adding and offsetting against each other, without limit, the following income and attributions of income:
 - Salary income.
 - Income from real estate.
 - Income from movable capital derived from the transfer of own funds to entities related to the taxpayer. This rule does not apply (in which case such income must be included as savings income) where:

- They are entities of the kind provided for in article 1.2 of Legislative Royal Decree 1298/1996, of June 28, Adapting the Law Currently in Force on Credit Institutions to the Law of the European Communities, provided that such income does not differ from the income that would have been offered to groups similar to the persons related to such institutions,
- The amount of own funds assigned to a related entity does not exceed the result multiplying equity by three, to the extent that it relates to the taxpayer's interest in the related entity.
- Other income from movable capital which is not considered savings income, such as that derived from the assignment of the right to use the image, that from intellectual property when the taxpayer is not the author and that from industrial property which is not attached to business activities performed by the taxpayer.
- Income from business activities.
- Imputation of income from real estate.
- Imputation of income from entities under the international fiscal transparency system.
- Imputation of income from assignment of rights of publicity.
- Changes in the value of units in collective investment undertakings established in tax havens.
- b. The positive balance resulting from adding and offsetting against each other, exclusively, capital gains and losses excluding those which are deemed savings income. If its



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balance is negative, it may be offset against 25% of the positive balance, if any, of income and attributions. The rest of the negative balance will be offset in the following 4 years with the same setoff rules, it being obligatory for the setoff to be made of the maximum amount that the rules allow.

The **savings component** of taxable income is calculated based on the savings income which is formed by the positive balance resulting from adding the following balances:

- a. The positive balance resulting from adding and offsetting against each other the so-called income from movable capital, that is:
 - Income derived from an entity due to the status of partner, shareholder, associate or stakeholder.
 - Income from movable capital derived from the transfer of own funds to third entities not related to the taxpayer or derived from related entities that meet the requirements in order not to be included as general income.
 - The monetary return or payment in kind on capitalization transactions and life or disability insurance contracts.

If the inclusion and setoff of such income against each other leads to a negative result, this amount may only be offset against the positive balance of the capital gains and losses reported in the following component of savings income (paragraph b) below) with the limit of 25% of that positive balance.

- b. The positive balance resulting from adding and offsetting the capital gains and losses arising from the transfer of assets. If such result is negative, the amount thereof could be offset against the positive balance of the other component of savings

income (paragraph a) above), that is, income from movable capital, with the limit of 25% of that positive balance.

In both cases, if the balance is negative after those gains and losses have been offset, the amount thereof may be offset in the following 4 years.

2.2.5 EXEMPT INCOME

The legislation establishes numerous items of exempt income.

Noteworthy among the exemptions is that relating to salary income for work performed abroad. This exemption will apply to salary income accrued during the days spent by the employee abroad up to a limit of €60,100 per year, if certain requirements are met:

- Salary income must be paid in respect of work effectively performed abroad.
- In the case of services rendered between related entities, they must provide or be able to provide an advantage or benefit for the recipient.
- The recipient of the services must be either an entity not resident in Spain or a permanent establishment situated abroad of a Spanish resident company.
- A tax identical or similar to the Spanish PIT must be applied in the other country, and such country must not be a territory classified as a tax haven. This requirement will be deemed to be met when the country or territory where the work is performed has signed with Spain a tax treaty containing an exchange of information clause.

The exempt income received for work performed abroad must be calculated (i) by reference to the number of days that the worker actually spent abroad and the specific income relating to the services provided outside the country, and (ii) to calculate the daily amount earned for the work performed abroad, a proportional distribution method must be used, by reference to the total number of days in the year, aside from the specific income relating to the work performed.

In addition, an exemption is envisaged for capital gains arising on the transfer of the taxpayer's principal residence, where the total amount is reinvested in the acquisition of a new principal residence within 2 years following the transfer date, under certain conditions.

Also relevant are the exemption for employee severance indemnities or termination benefits in the mandatory amount stipulated in the Labor Statute, in its enabling regulations or, if applicable, in regulations governing the enforcement of judgments, excluding amounts stipulated in agreements, clauses or contracts (starting on April 3, 2025, it is established that, as an important new feature, the indemnities agreed on in the conciliation agreement before the administrative service shall not be deemed indemnities established in agreements, clauses or contracts), limited to the sum of €180,000 for dismissals that take place since 1 August 2014, or the exemption for positive securities investment income from life insurance, deposits and financial contracts used to arrange Long-Term Savings Plans, provided the taxpayer does not utilize any Plan capital before the first 5 years have elapsed.

2.2.6 EARNED INCOME

The main aspects of the tax treatment of earned income are as follows:

- a. Both cash income and income in kind are taxable.



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b. The most relevant rules affecting income in kind are explained below:

- In general, it is valued at the market value of the remuneration.
- However, the law provides special rules for certain types of income:

The valuation of the income in kind consisting of the **assignment of the use of vehicles** is 20% per annum of the acquisition cost for the payer, or 20% of the value that would correspond to the vehicle if it were new (depending on whether or not the vehicle is owned by the company, respectively). The amount calculated must be weighted based on the percentage of private utilization of the vehicle. The value obtained may be reduced by up to 30% in the case of vehicles classed as energy-efficient.

If the vehicle is handed over to the employee, it will be valued at cost less the value of prior utilization

The income in kind consisting of the **use of housing** owned by the company is limited to 5% or 10% of the ratable value, depending on whether or not this value has been revised, respectively, up to the maximum limit of 10% of the rest of the earned income.

Other remuneration is valued at cost, such as meals and accommodation expenses.

- In any event, the Law states that, irrespective of the above-mentioned general and special rules, the value of salary income in kind paid by companies engaged habitually in the performance of the activities that give rise

to such income in kind (for example, where a vehicle rental company assigns the use of vehicles to its employees) may not be lower than the price charged to the general public for the good, right or service in question, applying ordinary or common discounts, and, in any case, with a limit of 15% or €1,000 per annum (whichever is lower).

- Certain income in kind is not taxable.

The award to current employees, free of charge or at below-market price, of shares in the company itself or in other group companies, is not taxable in the portion that does not exceed €12,000 per annum, for the total number of shares awarded to each employee, provided that the offer is made on the same terms for all the employees of the company, group or sub-group of companies and other requirements are met (basically related to keeping the shares for a certain period of time). In the case of start-up companies ([see section 2.21](#)), this exemption is increased to €50,000 per year and the offer need not be made in the terms referred to above.

Furthermore, it is specified that in the case of deliveries of shares or holdings granted to employees of a start-up company ([see section 2.21](#)), the remuneration in kind will be valued at the value of the shares or holdings subscribed by an independent third party in the last capital increase carried out in the year prior to that in which the shares or holdings are delivered. If no such capital increase has taken place, they shall be valued at the market value of the shares or holdings at the time of delivery to the employee.

Amounts paid to entities responsible for providing public passenger transport services to help employees to travel from their place of residence to their work center are not

taxable, subject to the limit of €1,500 per annum per employee (indirect payment formulae that fulfill a number of conditions such as “transport passes/vouchers” are permitted).

Restaurant vouchers and health insurance premiums are not taxable either, subject to certain quantitative limits, child care vouchers are also not taxable, subject to no limits.

- Of the different kinds of compensation, worthy of note (due to their special characteristics) are those derived from the grant to employees of stock options in the company of group where they provide their services.

In these cases, for stock options that are non-transferable (which is the most common scenario), salary income is generated when the employee exercises the options and receives the shares or holdings. In short, no income is generated when the options are granted but only when the options are materialized in shares or holdings (with the vesting and subsequent or simultaneous exercise of the options). At that time, what is generated is salary income, for the difference between the market value of the shares or holdings received and the cost of the option.

Subsequently, when the shares or holdings received are transferred, a capital gain or loss will be generated.

Additionally, there are a series of tax benefits for this type of compensation:

- As we have stated previously, the award of shares to serving employees, for free or for a price below normal market price, will not be deemed compensation in kind

for the portion not exceeding, for the set of shares delivered to each employee, €50,000 or €12,000 per annum, depending on whether or not the shares or holdings in question are in a start-up company ([see section 2.21](#)), provided that certain requirements are met.

If the delivery of shares or holdings results from the exercise of purchase options over share or holdings previously granted to employees by a start-up company ([see section 2.21](#)), the requirements to be classed as a start-up company must be met at the point at which the option is granted.

– In addition, the reduction for multi-year income can be applied to the portion exceeding €12,000 or €50,000, as applicable, where the requirements analyzed below are met.

- Effective as from January 1, 2023, there are express rules in place on the taxation of carried interest, meaning income obtained from the successful management of private equity entities. Specifically, it is expressly stipulated in the rules that this is earned income and that 50% of its amount shall be included without applying any exemption or reduction whatsoever, provided that: (i) the economic rights are conditional on the other investors in the entity obtaining a minimum level of profitability defined in the entity's regulations or bylaws, and (ii) the holdings, shares or rights are held for at least 5 years, unless a transfer following death occurs, or they are liquidated earlier or become null and void due to a change of management entity (this requirement being applicable, where appropriate, to the entities owning the holdings, shares or rights).

c. Reduction for irregular income

A 30% reduction is applicable to irregular income, which is defined as follows:

- Income that is generated over more than 2 years, provided that the reduction has not been applied in the preceding five tax periods (this second requirement does not apply in the case of severance payments for dismissal or termination of a special or ordinary employment relationship).
- Or income classed by regulations as being notably irregular over time.

This 30% reduction may be applied to a maximum of €300,000 per annum (this limit is reduced for severance indemnities or termination benefits above €700,000, there being no reduction applicable to indemnities of €1,000 million or more).

As a new feature, effective for tax periods starting on or after January 1, 2025, a reduction has been introduced for income from artistic activities, obtained on an exceptional basis, to which the reduction for irregular income has not applied. This reduction, at the rate of 30%, will apply to gross salary income exceeding 130% of the average income obtained in the last three years (with a maximum of €150,000).

Other types of reduction are applicable to certain earned income.

When calculating the income, certain expenses are also deducted such as Social Security contributions, or a general reduction of €2,000 per annum for other expenses is applied (this reduction increases in certain circumstances).

In addition, as from January 1, 2023, taxpayers with net earned income of less than €19,747.50 – provided they do not have non-exempt income other than earned income, amounting to more than €6,500.00 – are to apply an additional reduction based on the amount of their income.

Lastly, entities resident in Spain will be required to make withholdings on earned income paid to their workers, irrespective of whether or not the income is paid by the entity itself or by a different resident or non-resident related entity.

2.2.7 RENTAL INCOME

For the calculation of the net income all the expenses necessary to obtain it can be deducted.

The financial expenses and repair and maintenance expenses that can be deducted may not exceed the gross income generated by each property. However, the excess may be deducted under identical conditions in the following 4 years.

The remaining expenses may give rise to negative net income from immovable property.

In the case of leases of real estate intended for housing for which the contract was signed before May 26, 2023, it will be possible to apply a reduction equal to 60% of the positive net income obtained from the lease (gross income minus depreciation, taxes and non-state surcharges, etc.).

For contracts signed after that date, Law 12/2023 of May 24 on the right to housing (Housing Law) will be applicable, this introduces new regulations on the reduction of positive net income for leases



of real estate intended for housing. Specifically, the rules stipulate that the income may be reduced as follows:

- A 90% reduction when the same lessor has formalized a new lease contract in respect of a dwelling located in a stressed housing market area, in which the initial rent has been reduced by more than 5% in relation to the last rent rate under the previous lease contract for the same dwelling, once the annual rent review clause in the previous agreement has been applied, where appropriate.
- A 70% reduction where the requirements indicated in the previous point are not met and any of the following circumstances occur:
 - Leasing (for the first time, by the taxpayer) of a dwelling located in a stressed housing market area, provided that the tenant is between 18 and 35 years of age. Where there are several tenants in the same dwelling, the reduction will be applicable to the part of net income corresponding, proportionally, to tenants who meet this requirement.
 - Where the tenant is a Public Administration or a not-for-profit entity to which the special regime established in Title II of Law 49/2002, of December 23, is applicable and the property is used (i) for social housing, with a monthly rent lower than that established in the rental assistance program contained in the government housing plan, (ii) to house people in a situation of economic vulnerability (as defined in Law 19/2021, of December 20), or where (iii) the dwelling is covered by a public housing program or classification on the basis of which the competent Administration imposes a limit on the rent.
- A 60% reduction where the above requirements are not met but the dwelling has undergone refurbishment, on the terms

provided for in article 41.1 of the tax Regulations, with such refurbishment having been completed within the 2 years leading up to the date on which the lease contract was formalized.

- A 50% reduction in any other case.

In addition, if the income was generated over a period exceeding 2 years, or if it was obtained at notably irregular time intervals, a 30% reduction will apply (reduction applicable to a maximum of €300,000).

2.2.8 INCOME FROM MOVABLE CAPITAL

Income from movable capital will generally be included in the savings component of taxable income, in the manner specified previously. This refers mainly to:

- The income derived from a holding in the equity of entities (such as dividends).

Noteworthy in this type of income is the treatment of the **holdings in open-end investment vehicles (SICAVs)**. In this regard:

- In the case of capital reductions made to reimburse contributions, the amount of the reduction will be deemed income from movable capital, with the limit of the higher of the two following amounts: (i) that relating to the increase in the redemption value of the shares since their acquisition or subscription until the moment of the capital reduction, or (ii) where the capital reduction derives from retained earnings, the amount of such earnings. In this regard, it will be considered that capital reductions, regardless of their

aim, affect firstly the portion of capital that derives from retained earnings, until that portion reaches zero.

- Any excess over the limit determined according to the above rules will reduce the acquisition value of the relevant shares in the SICAV until it reaches zero, which will determine the future income deriving from the transfer. Nonetheless, any excess that might still exist will be included as income from movable capital derived from the holding in the equity of all kinds of companies, in the manner established for the distribution of additional paid-in capital.
- These rules will also apply to the shareholders of collective investment undertakings equivalent to SICAVs and registered in another EU Member State (and, in any case, they will apply to the companies covered by Directive 2009/65/EC of the European Parliament and of the Council, of July 13, on the coordination of the laws, regulations and administrative provisions on certain collective undertakings for investment in transferable securities).

In addition, with respect to the distribution of **additional paid-in capital**, the law establishes that the amount obtained will reduce, down to zero, the acquisition value of the shares or holdings concerned, and any resulting excess will be taxed as income from movable capital.

Notwithstanding the preceding paragraph, in case of distribution of additional paid-in capital relating to securities not admitted to listing on any of the regulated securities markets defined in Directive 2004/39/EC of the European Parliament and of the Council, of 21 April, on markets in financial instruments and representing the share in the equity of companies or entities, where the difference between the value of equity of the shares or holdings relating to the last



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fiscal year-end prior to the date of the distribution of the additional paid-in capital and the normal market value of the assets or rights received will be deemed income from movable capital, with the limit of that positive difference.

- The income obtained from the transfer to third parties of own capital (such as interest).
- The income from capitalization transactions and life or disability³³ insurance and the income from capital deposits.

However, certain items of income from movable capital form part of the general component of the tax base:

- Income deriving from the transfer to third parties of own capital, in the part relating to the excess of the amount of own capital transferred to a related entity, with respect to the result of multiplying by three the equity of the entity that relates to the holding. The aim of this rule is to prevent the tax rates of the savings component (which are lower) from being applied to cases in which the income derives from the debt of the shareholders with their investees where there is “excess indebtedness”, such that the financial income can be replacing income that could have been taxed in the general component of the tax base. Thus, for example, if the individual shareholder of an entity holds a 100% stake in it, to which equity of 1,000 corresponds, and he lends the entity 4,000, the interest on that loan will be included in the savings component only in the portion relating to 3,000 (3 x 1,000).
- The items of income referred to in the law as “other income from movable capital”, which are income deriving from (i) intellectual property where the taxpayer is not the author, (ii) industrial property not assigned to economic activities, (iii) the lease of furniture, businesses or mines or from the

sublease of such assets (received by the sublessor) which are not business activities, and (iv) the assignment of the right to exploit an image or from the consent or authorization for the use thereof, when the aforementioned assignment does not take place in the course of a business activity. In this case, a 30% reduction can be applied if they are generated over more than 2 years or are classified by regulations as notably multi-year in nature. Also in this case the reduction applies to a maximum amount of €300,000.

2.2.9 CAPITAL GAINS AND LOSSES

As already noted, capital gains and losses are classified into two types: (i) those not deriving from transfers, and (ii) those deriving from transfers. The first type is included in the general component of taxable income and taxed at the marginal rate, and the second type is included in the savings component.

With respect to capital gains and losses, the following aspects are worthy of note:

- In general, a capital gain or loss on a transfer, whether for valuable consideration or for no consideration, is valued as the difference between the acquisition and transfer values of the items transferred. In certain circumstances, however, these values are indexed to the market because they entail transactions in which there is no acquisition or transfer value per se. For example, in the gift of an asset, the gain is calculated as the difference between its cost and the market value of the asset at the date of the gift, or in the case of a swap, the gain is calculated as the difference between the acquisition value of the asset or right transferred and the higher of the market value of that asset or right and that of the asset or right received in exchange.

In some cases, there are also rules aimed at guaranteeing the taxation of the actual income. For example, in the transfer of unlisted securities, the transfer value will not be the price thereof, but rather the higher of that price, the value of equity resulting from the last balance sheet closed before the tax becomes chargeable, or the value resulting from capitalizing at 20% the average of the results of the last three fiscal years closed before that tax becomes chargeable (unless it is proven that the transfer price is the market price).

- Abatement coefficients: the law establishes the application of coefficients which reduce the gain deriving from the transfer. However, the application of these coefficients is only envisaged for the assets acquired before December 31, 1994.

However, the coefficients do not apply to all the gain generated on the transfer but only to that generated until the legislation eliminated the coefficients, specifically up to January 19, 2006.

In general terms, what must be done is to (i) calculate the amount of the “nominal” capital gain, (ii) distinguish the portion of that gain generated up to and including January 19, 2006, and the portion generated after that date (according to rules depending on the type of asset, the general rule being that of straight-line distribution) and (iii) apply the coefficients to the first-mentioned portion of the gain.

The coefficients are (a) 11.11% in the case of real estate or real estate companies, for each year that has elapsed from the acquisition of the asset until December 31, 1994 (meaning

³³ In the case of life insurance in which the policyholder assumes the investment risk, as a general rule, the difference between the redemption value of the assets assigned to the policy at the end and at the beginning of each fiscal year shall be allocated as income from movable capital in each tax period.



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that the gain generated up to January 19, 2006, from real estate acquired before December 1985, will not be subject to tax), (b) 25% in the case of shares traded on secondary markets (the capital gains generated up to January 19, 2006, deriving from assets acquired before December 31, 1991, not being subject to tax), and (c) 14.28% in the remaining cases (in which the gain generated up to January 19, 2006, from assets acquired before December 31, 1998 will not be subject to tax).

The rest of the gain, i.e. which is deemed to be generated after January 20, 2006 (inclusive) will be taxed in full.

In any event, according to the legislation applicable, the maximum amount of the asset transfer value to which these coefficients can be applied is €400,000. These €400,000 limit does not apply to the transfer value of each asset individually but to the total transfer value of all the assets as a whole to which the abatement coefficients apply starting on January 1, 2015, up to the moment when the capital gain is allocated. In other words, it is a global limit even if the sale of each asset takes place at different times.

- c. Certain capital gains and losses are not deemed as such (and, thus, are not taxed or their taxation differs), namely (i) those deriving from the dissolution of jointly owned property or (ii) those resulting from the division of common property. At other times, the losses obtained are not computed, as occurs with (a) losses due to consumption or (b) those deriving from gifts. The law also establishes an anti-abuse rule which prevents computing the losses deriving from the transfer of securities listed on organized markets when homogenous securities have been acquired in the 2 months before or after the transfer (the term is 1 year in the case of transfers of securities not traded on organized markets), in these cases,

the losses are included as and when the securities remaining in the taxpayer's assets are transferred.

Of the capital gains or losses that are not subject to tax, worthy of note are those deriving from the gift of a family business, where (i) the assets were used in the economic activity for at least 5 years before the transfer date, and provided that the donor (i) is 65 years or older or suffers from absolute permanent disability or comprehensive disability, (ii) ceases to perform management functions and to be remunerated for those functions, and that the donee keeps the assets received for at least 10 years as from the date of the public deed documenting the gift, except in the case of death, and does not carry out any dispositions or corporate transactions which could lead to a significant decrease in the acquisition value of the business received.

In addition, it is established, among other things, that the taxpayer will not compute the capital gains obtained on the transfer of units or shares in collective investment undertakings provided that the proceeds are reinvested in assets of a similar nature.

In both cases, the new shares or units subscribed will maintain the value and the acquisition date of the shares or units transferred.

Capital gains are also not deemed to arise from capital reductions. Where the capital reduction, regardless of its purpose, gives rise to the redemption of securities or holdings, those acquired first will be considered redeemed, and their acquisition value will be distributed proportionally amongst the rest of the analogous securities remaining in the taxpayer's assets. Where the capital reduction does not affect all the securities or holdings owned by the taxpayer equally, it shall be deemed to refer to those acquired first.

Where the purpose for the capital reduction is to reimburse contributions, the amount of the reduction or the normal market value of the assets or rights received will reduce the acquisition value of the securities or holdings concerned, in accordance with the rules of the preceding paragraph, down to nil. Any excess shall be included as income from movable capital derived from the share in the equity of any kind of entity, in the manner established for the distribution of additional paid-in capital, unless that capital reduction derives from retained earnings, in which case the sum of the amounts received for this item will be taxed in accordance with the provisions of letter a) of article 25.1 of this law. For these purposes, it shall be considered that the capital reduction, whatever its purpose, affects firstly the portion of the capital that derives from retained earnings, until they are reduced to zero.

- d. Since January 1, 2017, proceeds obtained from a transfer of subscription rights arising from securities admitted to trading on any of the regulated securities markets defined in Directive 2004/39/EC of the European Parliament and of the Council, have been treated as a capital gain for the transferor in the tax period in which the transfer takes place. This was a change from the regime applied in previous years, in which proceeds obtained from a transfer of this right reduced the acquisition cost of the listed security in question. In other words, under the previous regime, the taxation of the gain obtained from the sale of preemptive subscription rights was deferred to when the share in question was transferred.

In this case, the custodian and, in the absence thereof, the financial intermediary or the public authenticating official who has attested the transfer will be required to make the relevant withholding or prepayment for this tax.

e. There is an exemption for capital gains generated on the transfer of shares or holdings in newly or recently formed companies for which the tax credit for investment in newly or recently formed companies was applied ([see section 2.2.13](#)), providing the total amount obtained from the transfer is reinvested in the acquisition of shares or holdings that meet the following requirements:

- Reinvestment in a public limited company, a limited liability company, a worker-owned corporation or worker-owned limited liability company that is not listed on any official stock exchange. This requirement must be met during all the years in which the shares or units are held.
- Perform an economic activity with the personal and material means necessary to perform it. In particular, the activity of the company may not be the management of movable or real property assets in the terms established in the Wealth Tax Law, in any of the company's tax periods ended prior to the transfer of the holding.
- The entity's equity cannot exceed €400,000 at the start of the tax period in which the taxpayer acquires the shares or holdings. When the entity forms part of a group of companies as defined in article 42 of the Commercial Code, regardless of residence and of the obligation to file consolidated financial statements, the equity figure will refer to the set of entities belonging to that group.
- The shares or holdings in the entity must be acquired by the taxpayer either at the time of formation of the entity or through a capital increase carried out in the 3 years following that formation, and the taxpayer must keep them for a period of between three and 12 years.

- The direct or indirect holding of the taxpayer, together with the holdings in the same entity owned by his/her spouse or any person related to the taxpayer by direct or collateral consanguinity or affinity up to and including the second degree, cannot be, on any day of the calendar years of ownership of the holdings, above 40% of the capital stock of the entity or of its voting rights.
- They must not be shares or holdings in an entity through which the same activity is performed as that which was being performed previously under another title.

In addition, it will be necessary to secure a certificate issued by the entity whose shares or holdings have been acquired, attesting to fulfillment of the first three requirements during the tax period in which the shares or holdings were acquired.

2.2.10 REDUCTIONS IN THE NET TAX BASE TO ADAPT THE TAX TO THE PERSONAL AND FAMILY SITUATION OF THE TAXPAYER

The law establishes certain reductions for the portion of the net taxable income which is understood to be used to meet the taxpayer's basic and personal needs, which is not subject to taxation:

- a. The taxpayer's personal allowance: €5,550 annually which will be increased by €1,150 annually for persons over 65 years of age and by €1,400 for persons over 75 years of age.
- b. Allowance for descendants: for each unmarried descendant aged under 25, or descendant with disabilities regardless of age, or person under a guardianship or foster care arrangement living

with the taxpayer, the taxpayer will be entitled to a reduction of €2,400 for the first, €2,700 for the second, €4,000 for the third and €4,500 for the fourth and subsequent of these. Where the descendant is aged under 3 the foregoing amounts will be increased by €2,800 annually.

The family reductions will not apply if the taxpayers generating entitlement to these reductions file PIT returns obtaining income exceeding €8,000 or an application for a refund.

- c. Allowance for ascendants: €1,150 for each ascendant over 65 years of age or a person with disabilities who lives with the taxpayer (or dependent boarders) who does not obtain income exceeding €8,000. For ascendants over 75 years of age it is increased by €1,400.
- d. Allowance for disability: (i) of the taxpayer: in general, €3,000 annually, although it will be €9,000 annually for persons who prove they have a disability equal to or greater than 65% (there will be an increase of €3,000 annually for assistance, if the need for assistance from third parties, or the existence of limited mobility or a disability of at least 65% is proven), (ii) of ascendants or descendants: for those that confer a right to the above-mentioned allowances, a reduction of €3,000 per person and year, although it will be €9,000 annually for persons who prove they have a disability equal to or greater than 65% and an increase of €3,000 annually for assistance, if the need for assistance of third parties, limited mobility or a disability of at least 65% is proven.
- e. For family units formed by spouses who are not separated and, where relevant, underage children or persons with disabilities, before the application of the personal and family allowances, a reduction will be made of €3,400

The savings component of net taxable income will be the result of deducting from the savings tax base the remainder (not applied to reduce the general tax base), if any, of the reduction for compensatory pensions, but such operation may not lead to a negative savings net tax base.

2.2.12 DETERMINATION OF THE GROSS TAX PAYABLE: TAX RATES

The gross tax payable is calculated by applying the tax rates to the net tax base. Specifically:

- On the one hand, what we could call the “general gross tax payable” is calculated by applying the progressive scale of tax rates to the general net tax base and subtracting from it the result of applying the same scale to the personal and family allowances.
- On the other hand, what we could call the “savings gross tax payable” is calculated by applying the savings scale of tax rates to the savings net tax base.

There is not just one tax scale but rather there is a national scale and an autonomous community scale. Thus, a taxpayer in Madrid, for example, will apply to his or her net tax base both the national scale and the Madrid autonomous community scale.

The taxpayer's place of habitual residence determines the autonomous community in which income is deemed to be obtained for PIT purposes. The law also lays down specific rules to prevent tax-motivated changes of residence.

The tax scales do not vary on the basis of the type of return (joint or separate) chosen by the taxpayer.

For fiscal years 2022 and following years, the total tax scale (national plus autonomous community rates) applicable to the autonomous communities that have not approved a specific autonomous scale is as follows:

TOTAL TAX SCALE (GENERAL COMPONENT)			
Net taxable income (up to €)	Gross tax payable (€)	Rest of net taxable income (up to €)	Tax rate applicable (%)
0	0.00	12,450	19%
12,450	2,365.50	7,750	24%
20,200	4,225.50	15,000	30%
35,200	8,725.50	24,800	37%
60,000	17,901.50	240,000	45%
300,000	125,901.50	Onwards	47%

Further, the savings component of net taxable income not corresponding to the remainder of the personal and family allowances will be taxed according to a scale of fixed rates.

That means that the general national and autonomous community scale for fiscal years 2021 and following years is as follows:

TOTAL TAX SCALE (SAVINGS COMPONENT)			
Net taxable income (up to €)	Gross tax payable (€)	Rest of net taxable income (up to €)	Tax rate applicable (%)
0	0.00	6,000	19%
6,000	1,140	44,000	21%
50,000	10,380	150,000	23%
200,000	44,880	100,000	27%
300,000	71,880	Onwards	30%

The sum of the amounts resulting from applying the national and regional tax rates to the general net tax base and to the savings net tax base as described will determine the national and regional gross tax payable respectively.

2.2.13 NET TAX PAYABLE AND FINAL TAX PAYABLE: TAX CREDITS

The national net tax payable and the autonomous community net tax payable are the result of deducting from the national and autonomous community gross taxes payable (in the relevant percentages) some tax credits, such as (i) the tax credit for investment in newly or recently formed companies, (ii) the tax credit for economic activities, (iii) the tax credits for donations³⁶, (iv) the tax credit for income obtained in Ceuta and Melilla, and (v) the tax credit for actions to protect and publicize Spanish historical heritage and that of cities, monuments and assets declared to be world heritage. Tax credits designed to incentivize the use of electric vehicles have also been introduced during 2023.

The autonomous community net tax payable will be calculated also taking into account the tax credits which may be established by the autonomous community in question exercising its powers.

Of all of them, the tax credit for investment in new or recently formed companies is worth noting above all. This tax benefit

³⁶ Royal Decree-Law 6/2023 of December 19 approving urgent measures for implementation of the Recovery, Transformation and Resilience Plan with regard to the public justice service, government service, and the local authority and patronage regime, which amends, among others, Law 49/2002 of December 23, on the tax regime for not-for-profit entities and on tax incentives for patronage (Law 49/2002), was published on December 20, 2023. The deduction percentages for donations have been increased as a result of this reform.



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permits deducting, as from January 1, 2023, 50%³⁷ of the amounts paid for the subscription of shares or holdings in new or recently formed companies where the following requirements are met:

- The entity whose shares or holdings are acquired must: (i) take the form of Corporation, Limited Liability Company, Worker-Owned Corporation or worker-owned Limited Liability Company, and (ii) perform an economic activity with the personal and material means necessary to perform it. Moreover, (iii), the entity's equity figure cannot exceed €400,000 at the start of the tax period in which the taxpayer acquires the shares or holdings (when the entity forms part of a group of companies as defined in article 42 of the Commercial Code, regardless of residence and of the obligation to file consolidated financial statements, the equity figure will refer to the set of entities belonging to that group).
- The shares or holdings in the entity must be acquired by the taxpayer either at the time of formation of the entity or through a capital increase carried out in the 3 years following that formation, and the taxpayer must keep them for a period of between three and 12 years.
- The direct or indirect holding of the taxpayer, together with the holdings in the same entity owned by his/her spouse or any person related to the taxpayer by related by direct or collateral consanguinity or affinity up to and including the second degree, cannot be, on any day of the calendar years of ownership of the holdings, above 40% of the capital stock of the entity or of its voting rights.
- They must not be shares or holdings in an entity through which the same activity is performed as that which was being performed previously under another title.

The maximum tax credit base, as from January 1, 2023, is €100,000 per annum³⁸ and it is formed by the acquisition value of the shares or holdings subscribed.

Mention should also be made of the deduction introduced with effect as from January 1, 2018 for taxpayers whose other family members reside in another Member State of the EU or EEA, the purpose of which is to bring Spanish legislation into line with EU law and address situations in which a taxpayer is prevented from filing a joint tax return by the fact that other members of the family unit reside outside of Spain. The deduction is applied to make tax payable equal to the amount that the taxpayer would have borne had all the members of the family unit been resident for tax purposes in Spain.

Effective as from 2023, a tax credit for energy-related improvement works to homes was introduced. This allowed for the application of a credit for up to 20% of amounts paid as from the entry into force of Royal Decree-Law 19/2021 of October 5 on urgent measures to boost the renovation of buildings in the context of the Recovery, Transformation and Resilience Plan, and up to December 31, 2023, for work carried out during such period to reduce the need for heating and cooling at the taxpayer's main residence or at any other property owned by the taxpayer and leased for use as a dwelling at that time, or which is intended to be leased out, provided that, in the latter case, the dwelling is leased before December 31, 2024. This deduction has been extended, being applicable to the amounts paid for the items described above through to December 31, 2024 and, for dwellings that are expected to be leased out, in relation to dwellings which are leased before December 31, 2025.

The deduction is applicable in the tax period in which the energy efficiency certificate is issued. The maximum annual base is €5,000. Additional credits are established in relation to the improvement of energy efficiency.

On the other hand, new deductions came into force on July 1, 2023 for the purchase of plug-in electric and fuel cell vehicles and recharging points. A distinction can be drawn in this respect between:

- The tax credit for the acquisition of plug-in electric vehicles.

The acquisition of a new electric vehicle will generate the right to a tax credit equal to 15% of the acquisition value, including the expenses and taxes inherent in the acquisition, but with public subsidies being subtracted (the maximum tax credit calculation base cannot exceed €20,000), provided that:

- a. The acquisition takes place between the entry into force of the rule (June 30, 2023) and December 31, 2024.
- b. Alternatively, a downpayment for the future acquisition of the vehicle is made within the same period, provided that such downpayment represents at least 25% of the acquisition value. The payment of the remaining amount and the purchase of the vehicle must take place before the end of the second tax period immediately following that in which the downpayment was made.

The rules regulate the types of electric vehicles that can benefit from the tax credit and establish requirements for each of these types of vehicles.

- Tax credit for the installation of battery charging systems for electric vehicles.

³⁷ The percentage in force up to December 31, 2022 was 30%.

³⁸ The maximum tax credit base in force up to December 31, 2022 was €60,000 per annum.

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The installation of battery charging systems for electric vehicles in properties owned by the taxpayer generates entitlement to a tax credit equal to 15% of the amounts paid for this purpose between the entry into force of the rules and December 31, 2024. The maximum annual calculation base for the tax credit is €4,000 per year, and it is applicable in the tax period in which the installation is completed, which may not be later than 2024.

The application of the tax credits cannot lead the (national and autonomous community) net tax payable to be negative.

The final tax payable is the result of deducting from the total net tax payable (autonomous community plus national) the sum of the international double taxation credits, the withholdings, payments on account and split payments and the deductions of the underlying tax in relation to income attributed by international fiscal transparency or due to assignment of image rights.

The final tax payable may be reduced in turn by the maternity tax credit (subject to the limit of €1,200 annually), the deductions for large families or disabled dependent persons (with the limit of €1,200 or €2,400, depending on the case).

2.2.14 WITHHOLDINGS

Payments of income from movable capital, gains on shares or units in collective investment undertakings, salary income, etc. are subject to withholding at source (or prepayment, in the case of compensation in kind) which is treated as a prepayment on account of the final tax.

The base and rate of withholding and prepayment for the main types of income are detailed in the table below:

INCOME		BASE	RATE APPLICABLE IN 2016 ONWARDS
Salary income	General (*).		See paragraph below table
	Contracts of less than a year.		See paragraph below table (minimum 2%)
	Special dependent employment relationships.	Total compensation paid or satisfied.	Minimum 18%
	Board members.		35% (****)
	Courses, conferences and licenses on literary, artistic or scientific works.		15% o 7%
Income from movable capital (**)	General (***).	Gross consideration claimable or paid.	19%
	General.		15%
Professional activities	Artistes, under certain conditions. ³⁹		
	Start of fiscal year + following 2 years.	Amount of income or consideration obtained.	7%
	Certain professional activities (municipal collectors, insurance brokers, etc.).		7%

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39 They must engage in activities which (i) fall within groups 851, 852, 853, 861, 862, 864 and 869 of section two and classes 01, 02, 03 and 05 of section three, of the tax on economic activities classifications, and also (ii) in cases where the consideration for professional activities is in respect of services provided which, due to their nature, if they were performed for an employer, would fall within the scope of the special employment relationship of artistes engaging in performing, audiovisual and musical arts, and of persons carrying out the technical or ancillary activities needed for those activities.
The following requirements must be met to apply the new withholding tax rate: (i) The volume of gross income from all of those activities as a whole relating to the immediately preceding year must be below €15,000, and (ii) such volume must represent more than 75% of the sum of all gross income from economic activities and earned income obtained by the taxpayer in that year.
These amendments came into force on January 26, 2023.

(*) The withholding rate is reduced by two percentage points (without it being able to be negative), for the salary income of taxpayers who have notified the payer of their salary that a portion thereof is used to acquire or refurbish their principal residence for which they use external financing and in respect of which they will be entitled to the tax credit for investment in the principal residence, provided that the total amount of their expected annual income is less than €33,007.20.
(**) The establishment of a flat withholding tax/tax prepayment rate of 19% in these cases means that the tax difference between 19% and 21% (in the case of net tax bases exceeding €6,000) must be paid over when filing the relevant tax self-assessment.
(***) The amount of the tax prepayment to be made in respect of compensation in kind is calculated by applying the withholding rate to the result of increasing the acquisition value or the cost for the payer by 20%.
(****) Directors and board members (of entities whose net revenues from the last tax period that ended prior to the payment of income were < €100,000) will be subject to a withholding rate of 19%.

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RENDIMIENTOS	BASE	TIPO APLICABLE EN 2016 Y SIGUIENTES
Capital gains (**)	Transfers or redemption of shares and holdings in collective investment undertakings (****).	Amount to be included in the tax base calculated according to personal income tax legislation.
	Cash prizes.	Amount of prizes.
Other income (**)	Lease/sublease of urban real estate.	Amount of income and rest of items paid to the lessor or sublessor (minus VAT).
	Income derived from intellectual property, industrial property, from the provision of technical assistance and from the lease or sublease of movable assets and businesses.	Gross income paid.
	Authorization to use image rights.	Gross income paid.

(**) The establishment of a flat withholding tax/tax prepayment rate of 19% in these cases means that the tax difference between 19% and 21% (in the case of net tax bases exceeding €6,000) must be paid over when filing the relevant tax self-assessment.

(****) In general, the withholding obligation will not exist if the transferor decides to reinvest the proceeds obtained on the transfer, acquisition or subscription of other shares or units in collective investment undertakings (deferral regime envisaged in article 94 of Law 35/2006, of November 28).

(*****) With effect as from January 1, 2019, a 15% withholding tax rate is applicable to revenues from intellectual property, when the taxpayer is not the author.

In order to calculate the withholdings applicable to salary income, the procedure (explained simply) consists of taking the total gross salary income and reducing it by certain deductible expenses and reductions to determine the net salary income. The withholding tax scale (aggregation of the national and the autonomous community scales) is then applied to the result of the calculation. The same process must be followed with the personal and family allowances, to which the withholding scale is also to be applied separately. The difference between the two operations gives rise to the withholdings payable. The withholding rate applicable is then determined by dividing the withholdings by the total salary

income. In short, the calculation of the withholding tax rate is very similar to the calculation of the definitive tax rate, albeit with certain special features, indicating that the legislature's intention was to bring them closer together.

2.2.15 FORMAL OBLIGATIONS

The tax period coincides with the calendar year. However, if the taxpayer becomes deceased on any date other than December 31, the tax period will be shorter than the calendar year.

Likewise, the tax becomes chargeable on December 31 of each year, unless the taxpayer becomes deceased on another day, in which case the tax becomes chargeable on the date of death.

Taxpayers who are required to file a PIT return (Form 100) must, when filing their returns, calculate the tax payable and pay it over in the place and manner and by the deadlines determined by the Ministry of Finance. The deadline is usually June 30.

Taxpayers who are married and not legally separated, and who are obliged to file a PIT return under which tax is payable, may request the suspension of their tax debt in an amount equal to or less than the refund to which their spouse is entitled for the same tax and in the same tax period.

2.3 NONRESIDENT INCOME TAX

Nonresident income tax is currently governed by the Revised NRIT Law, approved by Legislative Royal Decree 5/2004, of March 5, and the Nonresident Income Tax Regulations approved by Royal Decree 1776/2004, as well as by the amendments included in Law 26/2014, of November 27 all of which establish the tax regime applicable to nonresident individuals or entities that obtain Spanish-source income.

As a special aspect, the Revised NRIT Law establishes that nonresident individuals who prove that they are habitually resident in another EU country or in a Member State of the EEA with which there is effective tax information exchange, and that they have obtained in Spain salary income and income from business activities that entails at least 75% of their worldwide income, or that have obtained in Spain income below 90% of the personal and family allowances that would have applied to them if they had been tax resident in Spain,



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and the income obtained outside Spain has also been below that allowance, may opt to be taxed as resident individuals (PIT).

The key factor in determining the tax regime for nonresidents is whether or not they have a permanent establishment in Spain.

2.3.1 INCOME OBTAINED THROUGH A PERMANENT ESTABLISHMENT

Nonresident individuals or entities that obtain income through a permanent establishment located in Spain will be taxed on the total income attributable to said establishment, regardless of the place where it was obtained or produced.

The concept of permanent establishment in Spanish law is in line with the OECD Model Tax Convention. In the case of a foreign entity or individual resident in a country with which Spain has a tax treaty, the treaty provisions and, specifically, the exceptions to the definition of permanent establishment, will determine whether there is a permanent establishment in Spain.

One fundamental characteristic of permanent establishments is the lack of legal personality separate from that of the parent. In other words, there are not two economic beings with separate legal personality – as is the case of a parent and a subsidiary – but rather one subject with a single legal personality that operates through different facilities, centers, offices, etc., one or more of which are located in Spain.

According to Spanish legislation – applicable where there is not a tax treaty, otherwise that treaty would apply – a permanent establishment in Spain exists where the nonresident entity:

- Uses in Spain, under any legal arrangement, on a continuous or habitual basis, any kind of facilities or work places where it performs all or part of its activity.
- Acts in Spain through an agent that has and habitually exercises an authority to conclude contracts in the name and for the account of the taxpayer.

In particular, the following are deemed to constitute a permanent establishment:

- A place of management, branch, office, factory, warehouse, shop or other establishment.
- A mine, oil or gas well, quarry.
- Farming, forestry or fishing operations or any other place of extraction of natural resources.
- Construction, installation or assembly works lasting more than 6 months.

In general terms, permanent establishments in Spain are taxed on their net income at the same rate as Spanish companies (in general, at 25%). Nonresident entities or individuals operating through a permanent establishment in Spain are required to withhold taxes or make tax prepayments on the same terms as resident individuals or entities (i.e. on salary income paid, income from movable capital satisfied, etc.).

However, if it is considered that the entity does not have a permanent establishment in Spain, it will be taxed on its income obtained in Spain pursuant to the regime for income obtained other than through a permanent establishment ([See section 2.3.2 of this chapter for more detailed information](#)).

There is a 19% tax (branch profit tax) on the remitted profits of nonresidents doing business through a permanent establishment in Spain. However, this tax is not chargeable according to the provisions of most of the tax treaties.

In addition, this tax is not chargeable on (i) the income obtained in Spain by entities that are tax resident in another EU Member State (unless it resides in a tax haven) or (ii) the income obtained in Spain through permanent establishments by entities resident for tax purposes in a State that has signed a tax treaty with Spain which does not expressly provide otherwise, provided that there is reciprocal treatment.

This tax will therefore be additional to that already borne by the permanent establishment on its income (25% on revenues net of expenses).

Nonresidents who operate in Spain through a permanent establishment are generally required to keep accounting records here, in accordance with the rules and procedures established for Spanish companies.

The taxation of the income of permanent establishments envisages three different situations, as follows:

- As a general rule, taxable income is determined in accordance with the same regulations as are applicable to Spanish-resident companies and, accordingly, the tax rate of 25% is applicable to net income. Allocated parent company general and administrative overhead expenses are deductible under certain conditions. The permanent establishment's tax year will be the calendar year unless stated otherwise.

The tax period is also deemed to have ended in the event of the discontinuation of a permanent establishment's business



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activities, withdrawal of the investment initially made in the permanent establishment, the change of residence of the head office or the transfer abroad of the permanent establishment's activity⁴⁰.

The permanent establishment may also take the tax credits and relief that might be applicable, in general, for Spanish resident companies.

The rules regarding minimum taxation explained in [section 2.1.7](#) also apply.

- In the case of permanent establishments engaging in installation or erection projects with a duration of over 6 months, for those with seasonal or sporadic activity, or for those engaged in the exploration of natural resources, the tax base is determined in accordance with the rules applicable to nonresidents obtaining income in Spain not through a permanent establishment. Such rules also apply in determining the tax return filing and tax accrual obligations of the permanent establishment, which is not obliged to keep books of account (but only documentary support of its transactions).

However, these nonresidents who operate through a permanent establishment in Spain may also choose to be taxed under the general rules, but such option may only be taken if separate accounts are kept in Spain. This choice must be made at the date of registration in the entities' index.

- If the permanent establishment does not complete a business cycle in Spain which leads to income in Spain, and the business cycle is completed by the parent company (or the nonresident individual who operates in Spain through a permanent establishment) or by other permanent establishments, the tax

liability is determined by applying the general taxation rules, whereby revenues and expenses are valued at market prices.

However, the tax base will secondarily be determined by applying the percentage established by the Ministry of Finance for this purpose to the total expenses incurred, and by adding any "passive" (unearned) income not obtained in the normal course of business (interest, royalties, etc.) and any other capital gains arising from the assets assigned to the permanent establishment. This percentage has been set at 15%.

The gross tax payable in this case is determined by applying the standard tax rate, but the tax credits and tax relief provided by the standard CIT system may not be taken.

The tax period and tax return filing (Form 200) deadlines are those envisaged in the standard tax rules.

- Likewise, expenses cannot be deducted, or their deductibility must be deferred, or otherwise taxable income must be added in certain cases (where there is a relationship of association between the parties involved in the transaction or significant influence is exerted, or they act jointly with respect to voting rights or ownership of capital, and where the asymmetry occurs in the context of a structured mechanism) that affect the deductibility of expenses in the tax base of permanent establishments located in Spain.

In this regard, the following expenses are not deductible:

- Expenses relating to transactions carried out between the aforementioned operators which, as a result of a tax difference in their allocation between the permanent establishment and its head office, or between two or more permanent establishments, do not generate income.

- Those estimated for internal transactions with the head office or with one of its permanent establishments, or those of a related person or entity which, due to the legislation of the country or territory of the beneficiary, do not generate income, in the portion that is not offset by revenues that generate double taxation (where the revenues in question are subject to taxation pursuant to Spanish legislation and to that of the other country or territory).
- Those relating to transactions of the permanent establishment that are tax deductible in the head office, in the portion that is not offset by revenues of that permanent establishment or related entity that generate double taxation.
- Those relating to transactions carried out with a permanent establishment of the head office or of a related person or entity which, since it is not recognized for tax purposes by the country or territory of location, do not generate revenues.
- Lastly, there is an obligation to include in the tax base the difference between the normal market value and the book value of assets assigned to a permanent establishment that ceases its activity or transfers its activity abroad, as well as in the case of transfer abroad of the assets used in the activity.

The payment of the tax debt resulting in the case of assets transferred to a Member State of the EU or of the EEA with which there is an effective tax information exchange will be deferred by the tax authorities at the taxpayer's request until the assets in question are transferred to third parties, and the provisions of the General Taxation Law 58/2003, of

⁴⁰ The Antifraud Law establishes the transfer of the permanent establishment's activity abroad to be a new case whereby the tax period is deemed to have ended.

December 17, and its implementing legislation shall apply with regard to the charge of late-payment interest and the provision of guarantees for that deferral, which may not exceed the period of 5 years from the transfer.

The tax debt deferral will lose its validity when the activity carried out by the permanent establishment is subsequently transferred to a third State outside the EU or the EEA, and in the case of transfer of assets to third parties, insolvency or lack of payment of the previous taxes owed.

2.3.2 INCOME OBTAINED OTHER THAN THROUGH A PERMANENT ESTABLISHMENT

Nonresident entities or individuals that obtain income in Spain other than through a permanent establishment will be taxed separately on each total or partial accrual of Spanish-source income.

Spanish-source income obtained other than through a permanent establishment, as defined by the NRIT Law, consists mainly of the following items:

- Earnings derived from economic activities pursued in Spain.
- Earnings derived from the rendering of services where such services (i.e. studies, projects, technical assistance or management support services) are used in Spanish territory.
- Salary income, which is directly or indirectly derived from work performed in Spain.
- Interest, royalties and other income from movable capital paid by persons or entities resident in Spanish territory or by permanent establishments in such territory.

- Income from marketable securities issued by companies resident in Spain.
- Income from real estate located in Spain or from certain rights relating to that real estate.
- Capital gains on the sale of assets located in Spain and on the sale of securities issued by residents.

However, certain types of income originated in Spain are not taxable in Spain, most notably the following:

- Income paid for international sales of goods.
- Income paid to nonresident persons or entities relating to permanent establishments located abroad, with a charge to such establishments, if the consideration paid is related to the activity of the permanent establishment abroad.

On the other hand, the following will be exempt:

- Interest and earnings derived from the transfer of equity to a third party, as well as capital gains on movable assets owned by residents of other European Union Member States (except tax havens) obtained other than through a permanent establishment, by EU or EEA residents or by permanent establishments of those residents located in another Member State of the EU or the EEA. However, capital gains on holdings in entities whose assets consist principally of real estate in Spain, or in which the seller has had, directly or indirectly, at least a 25% interest at some time during the 12 months preceding the sale, are taxable (this latter requirement only applies to individuals), or where the transfer does not meet the requirements to apply the exemption to avoid double taxation (domestic and international) established in CIT legislation.

- Gains on transfers of securities or redemptions of participation units in mutual funds on official secondary securities markets in Spain obtained by nonresident individuals or entities without a permanent establishment in Spain that are resident in a State with which Spain has signed a tax treaty and with which there is effective exchange of tax information. The exemption does not apply when the nonresident entity resides in a country or territory classed as a tax haven.
- Yields derived from Spanish Government debt securities accruing to nonresident entities obtained not through a permanent establishment in Spain, unless they are routed through tax havens.
- Income derived from “nonresident accounts” paid by banks or other financial institutions to nonresident entities or individuals (unless payment is made to a permanent establishment in Spain of such entities) as well as that obtained not through a permanent establishment located in Spain and derived from the rental or assignment of containers or bare-boat charters and aircraft dry leases.
- Dividends from a Spanish subsidiary to its parent company resident in the EU or in a Member State of the EEA, provided that certain requirements are met (among others, 5% holding owned for 1 year)⁴¹.

⁴¹ The 2021 GSB Law eliminated, effective for periods commencing on or after January 1, 2021, the alternative requirement for applying the exemption (i.e., acquisition value of the shareholding being in excess of €20 million). Accordingly, in those cases in which the value of the shareholding exceeds €20 million but said holding does not reach a percentage above 5% of total capital, the exemption cannot be applied. However, transitional rules are established in the Nonresident Income Tax Law whereby the exemption will apply during the tax periods commencing in 2021, 2022, 2023, 2024 and 2025 for companies that at January 1, 2021 had an acquisition value above €20 million without complying with said shareholding threshold (i.e., 5%).

This rule is not applicable if the parent company is located in a tax haven, or when a majority of the voting rights of the parent company is held directly or indirectly by an individual or legal entity not resident in the EU or in a Member State of the EEA with which there is effective exchange of tax information, on the terms established in subarticle 4 of additional provision one of Law 36/2006, of November 29, on tax fraud prevention measures, unless the formation and operation of the parent is based on valid economic grounds and substantive business reasons.

- Royalties paid by a Spanish resident company (or by a permanent establishment in Spain of a company resident in another Member State of the EU or of the EEA) to a company resident in another European Union Member State (or to a permanent establishment of an European Union resident company in another Member State), where certain requirements are met.

In 1991 the Spanish tax authorities identified 48 territories classified as tax havens. These include such “traditional” havens as the Bahamas, Liechtenstein, Monaco, Gibraltar, etc. The Royal Decree which approved such list is still in force ([See regulations on tax havens in the CIT Law](#)).

Spanish law generally sets tax rates lower than the standard rate for residents for income accruing to nonresidents that do not have a permanent establishment in Spain. The tax is normally levied on the gross income, except for income for services rendered, technical assistance and installation and erection projects, in which case the tax is levied on the difference between the gross income and the payroll, material procurement and supplies expenses as defined in the relevant regulations.

Capital gains are generally calculated on the basis of the difference between acquisition cost and sale price, to which the same rules as those established for resident individuals are generally applicable

(this law refers to PIT legislation regarding the determination of the tax base for capital gains).

Moreover, purchasers of property located in Spain from nonresidents that do not have a permanent establishment in Spain must deduct withholding tax at 3% from the purchase price on account of the vendor's capital gains tax liability.

If the transferred property was acquired by the transferor more than 2 years prior to December 31, 1996, for withholding tax purposes it should be considered the application of the abatement coefficients described in the section on PIT, with the new limits discussed therein.

There are also certain exceptions to this obligation to make a withholding, such as cases in which the property is transferred as a non-monetary contribution for the formation of, or capital increase at, a company resident in Spain.

The tax rates are as follows:

TYPE OF INCOME	RATE (%) APPLICABLE FROM 2016 ONWARDS
General	24 (*)
Dividends	
Interest	
Capital gains	19
Income derived from the transfer or redemption of securities representing the capital or equity of collective investment undertakings	
Special cases	
• Income from reinsurance transactions	1.5
• Income from maritime or air navigation entities	4
• Foreign seasonal workers	2

(*) The rate is 19% for taxpayers resident in another Member State of the EU or of the EEA with which there is effective exchange of tax information.

The tax rates applicable to retirement pensions obtained by a nonresident individual will vary between 8% for amounts of up to €12,000, 30% for the following €6,700 and 40% for amounts in excess of €18,700.

Royalty payments to entities or permanent establishments residing in the EU are subject to a 0% rate.

In the case of nonresidents without a permanent establishment in Spain there is no possibility of offsetting losses against future profits or capital gains. Moreover, a nonresident without a permanent establishment can only deduct from the tax payable the amount of the taxes withheld from its income and the amounts corresponding to gifts and allowances as described in the PIT Law for resident individuals.

Liability for NRIT arises whenever Spanish-source income becomes claimable by the nonresident entity or is paid, whichever is earlier, as for capital gains, liability arises when they are generated and in the case of income attributed to urban real estate, on December 31.

In general, a separate tax return (Form 210, Nonresident Income Tax. Nonresidents without a permanent establishment. Ordinary return) and supporting documentation must be filed within one month from the above date.

At the request of the taxpayer, the tax authorities can place at its disposal, merely for information purposes, draft tax returns (notwithstanding the taxpayer's obligation to file the return and pay the tax debt), exclusively in relation to the real estate income attributed deriving from urban property located in Spain and not used in economic activities, with the limits and conditions established by the Ministry of Finance.

A draft return will be generated for each property that gives rise to the attribution of real estate income.



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The law also establishes a general obligation of making withholdings and prepayments on account of the income paid to nonresidents by entities, professionals and traders who are resident in Spain. Some exceptions to this general rule are envisaged in the law and the regulations.

In cases where there is a withholding obligation, the tax return filed by the withholding agent releases the taxpayer from the obligation to file the return, and vice versa.

In most cases the above-mentioned tax returns can be filed monthly or quarterly grouping together different types of income obtained during the preceding period.

2.3.3 TAX REGIME FOR PERSONS ASSIGNED TO SPAIN (INBOUND EXPATRIATES)

Spanish PIT legislation contains a very attractive regime for personnel assigned to Spain for work-related reasons, since it allows individuals who become tax resident in Spain as a result of their assignment to Spain to opt to be taxed either under PIT rules or under nonresident income tax rules during the tax period in which their tax residence changes and for the next five tax periods. Under the nonresident income tax rules option, they are only taxed on the income and/or gains that are deemed to have been obtained in Spain, at a fixed rate (which is increased for income of above €600,000).

The requirements necessary to apply this regime have been, since January 1, 2023, as follows:

- The inbound expatriate must not have been resident in Spain during the 5 tax periods preceding his or her move to Spain.
- The move to Spain must be the result of an employment contract — although moves not ordered by the employer are acceptable where the work is performed remotely through the

exclusive use of computer, remote and telecommunications technologies and systems — or be due to the person in question becoming a board member or director of a Spanish entity (in this case, if it is an asset-holding entity, the director or board member may not be a person related to it).

Since 2023, the regime also applies to persons who engage in an entrepreneurial economic activity in Spain, and highly qualified professionals who provide services to start-ups ([see section 2.21](#)).

- The individual must not obtain income that would be classified as obtained through a permanent establishment in Spain. This requirement does not apply to persons engaging in an entrepreneurial activity or to the highly qualified professionals referred to immediately above.

The tax debt will be determined according to the provisions of the Revised NRIT Law for the income obtained other than through a permanent establishment with various particularities:

- The exemptions established in NRIT legislation will not apply.
- All of the taxpayer's salary income will be deemed obtained in Spain. Also taken into account is income from economic activities classed as entrepreneurial. The criteria applicable as regards the exemption of earned income in kind are those set out in the PIT Law.
- The income items obtained in the calendar year will be taxed on a cumulative basis, without the possibility of offsetting them against each other.
- Dividends, interest and capital gains derived from the transfer of assets will be taxed separately from the rest of income, according to the scale specified previously for savings income: 19%, 21%, 23%, 27% and 30%.

- The rest of income will be taxed according to the following scale:

NET TAXABLE INCOME	RATE 2021 ONWARDS
Up to €600,000	24%
From €600,000 onwards	47%

- The withholding rate on salary income will be 24%. However, where the income paid by the same payer during the calendar year exceeds €600,000, the withholding rate applicable to the excess will be 47%.

In order to exercise the option to be taxed under this regime, it is necessary to notify the tax authorities within 6 months following the date of commencement of the employment that is stated in the notice informing the social security authorities that the employee was hired.

As from January 1, 2023, the option to apply this special regime is also available to the taxpayer's spouse and children who are under 25 years of age (or of any age if they are disabled), subject to certain requirements. The period within which it must be opted for is the greater of: (i) 6 months as from the date of entry in Spanish territory and (ii) the commencement of the computation for the taxpayer⁴².

⁴² Royal Decree 1008/2023 of December 5 introduces the deadline for opting into the regime and modifies the waiver and exclusion regime (to include spouses/parents of children, and children of the taxpayer), among other measures. This legislation came into force on December 7, 2023, meaning that persons who, as from that date, are within the period stipulated for opting for the regime may choose to apply it, this is within the greater of (i) six months as from the date of their entry into Spanish territory and (ii) six months as from the start of the calculation for the taxpayer.

On a transitional basis, it is provided that taxpayers who have acquired Spanish residence status in 2023 as a result of a move to Spanish territory in 2022, or in 2023 before the entry into force of the ministerial order approving the new form for communicating the option to apply the special regime, may exercise such option within a maximum period of 6 months as from the entry into force of said order.

Lastly, personal income taxpayers that elect to apply this special regime can request a tax residence certificate in Spain (although this is not the residence certificate required for the purposes of the corresponding double tax treaties subscribed by Spain).

2.3.4 CAPITAL GAINS DUE TO A CHANGE OF RESIDENCE (“EXIT TAX”)

For PIT payers who lose taxpayer status due to a change of residence, positive differences between the market value of shares held by the taxpayer in any type of entity and their acquisition value will be deemed capital gains (in the savings base), provided the taxpayer has had taxpayer status for at least 10 of the 15 tax periods prior to the latest tax period for which PIT must be declared and any of the following circumstances concur:

- i. The market value of the shares must exceed a total of €4,000,000 for all the shares considered as a whole.
- ii. Otherwise, on the accrual date of the latest tax period for which PIT must be declared, the stake in the entity must exceed 25%, provided that the market value of the shares in that entity exceeds €1 million. In this case, this scheme will only apply to the shares held in these entities.

In the case of taxpayers that have opted to apply the special tax scheme for workers relocated to Spain (for more information, see [section 2.3.3](#) above), the 10 tax periods referred to above will begin as from the first tax period in which the special scheme is not applicable.

Capital gains will be allocated to the final tax period for which PIT must be declared, if applicable, a supplementary tax return must be filed, without any default interest or penalty.

The capital gain will be calculated using the market value of the shares which (i) in the case of listed shares, will be their listed price, and (ii) in the case of unlisted shares, will be the higher of the equity value in the latest balance sheet closed prior to the accrual date and the result of capitalizing at 20% the average results for the three financial years closed prior to the accrual date (including in the calculation dividends paid out and amounts apportioned to reserves, barring regularization or fixed asset restatement reserves). Additionally, (iii) shares in collective investment institutions will be valued at their cash value on the accrual date of the latest period for which PIT must be declared or, failing this, at the latest cash value published (in the absence of this value, at the equity value in the balance sheet for the latest financial year closed prior to the accrual date, barring evidence of a different market value).

Certain special rules are provided for cases in which (i) the change of residence is the consequence of a temporary work posting to a country or territory that is not classed as a tax haven or for any reason provided that, in this case, the worker is posted temporarily to a country or territory with which Spain has concluded an international double taxation treaty containing an information exchange clause (in this case, payment of the liability may be deferred for a maximum period, which may be extended), or (ii) residence is changed to a different EU Member State or a country within the EEA with which there is effective exchange of tax information (in such cases, the company may opt to self-assess the gain only in certain circumstances).

This regime will also be applicable when residence changes to a country or territory classed as a tax haven and the taxpayer does not lose resident status in accordance with the residence rules stipulated in the PIT Law.

2.3.5 TAX TREATIES⁴³

Tax treaties may reduce, or even completely eliminate, the taxation in Spain on the income earned by entities which do not have a permanent establishment here.

Companies without a permanent establishment in Spain which are resident in countries with which Spain has a tax treaty are generally not taxed in Spain on their business income earned here, nor for capital gains (other than on real estate).

However, capital gains on the sale of shares of companies can be taxed in Spain under the special clauses of certain treaties (including most notably shares of real estate companies, transfers of shares when a substantial interest is held, etc.).

Certain other types of income (royalties, interest or dividends) are taxed at reduced treaty rates in force.

Currently, there are various treaties which are at different stages of negotiation or coming into force. Among them, the treaties with Bahrain, Montenegro, Namibia, Peru, and Syria. Additionally, certain treaties are currently being renegotiated (Austria, Belgium, Canada, China, Finland, India, Japan, Mexico, United Kingdom and Romania).

Finally Spain has signed up to the Multilateral Instrument or MLI, meaning that the application of the clauses of a treaty signed with another State that has also endorsed it is subject to the provisions of the Multilateral Instrument. In summary, the changes introduced by the MLI are basically aimed at expressly limiting the possibility of abusive use being made of treaties, both generally and specifically

⁴³ For more detailed information, visit web page www.aeat.es, section Fiscalidad internacional.



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in relation to certain situations or circumstances (permanent establishments, hybrid instruments, etc.), at reinforcing the possibilities of taxing certain income at source (dividends, capital gains) and, lastly, at reviewing the methods for avoiding double taxation based on residence.

Tax sparing arrangements

Due to the existence under Spanish regulations of relief from the tax on certain types of income (mainly interest income), the tax sparing arrangements contained in many of Spain's tax treaties are relevant.

Under these arrangements the lender resident in one State can deduct in that State not only the tax effectively withheld from the interest in the other State but also the tax that would have been payable had relief not been provided.

2.3.6 TAX ON PROPERTY IN SPAIN OF NONRESIDENT COMPANIES

Companies resident in a country or territory classed as a tax haven that own real estate in Spain are subject to an annual tax of 3% on the cadastral value of the property at December 31 each year.

This tax does not apply to:

- International bodies and foreign States and public institutions.
- Companies that pursue in Spain, on a continuous or habitual basis, economic activities other than the simple holding or lease of real estate.
- Companies that are listed on official secondary securities markets.

2.3.7 TAX REPRESENTATIVE

Nonresident taxpayers are, in certain cases, obliged to appoint a representative in Spain (individual or entity)⁴⁴. Specifically, this obligation applies to:

- Those operating in Spain through a permanent establishment.
- Those performing economic activities in Spain other than through a permanent establishment and which permit the deduction of certain expenses.
- Those which are entities subject to the pass-through regime formed abroad and which carry on business activities in Spain, where all or a portion of those activities are carried on by them, continuously or habitually, through installations or workplaces of any kind, or which act in Spain through an agent authorized to conclude contracts in the name and for the account of the entity.
- Those which are persons and entities resident in countries or territories with which there is no effective exchange of information, that there are owners of property situated or rights which are fulfilled or exercised in Spain (except for securities listed on organized secondary markets).

The appointment of a representative must be done before the end of the period for reporting income obtained in Spain. The appointment must be notified to the authorities within 2 months. Failure to appoint a representative or to notify the authorities can lead to a fine of €2,000 (€6,000 for those taxpayers residing in countries or territories with which there is no effective exchange of information).

The tax representatives (if residents) of permanent establishments are deemed to be the persons registered as their representatives

in the Commercial Register, or the persons empowered to contract on their behalf.

Persons who, pursuant to the Revised Nonresident Income Tax Law, are:

- Tax representatives of permanent establishments of nonresident taxpayers, or
- Tax representatives of pass-through entities.

Shall be jointly and severally liable for paying over the tax debts corresponding to such establishments or entities.

The payer of income accrued other than through a permanent establishment by nonresident taxpayers, or the depositary or manager of the assets or rights of nonresident taxpayers not used by a permanent establishment, will also be jointly and severally liable for the payment of tax debts relating to income paid by him or to income and/or gains from assets or rights whose safekeeping or management has been entrusted to him.

This liability will not exist where the payer or manager is subject to the obligation to withhold and prepay tax (since they already have such specific obligation and the responsibility that from it could eventually derive).

⁴⁴ With the entry into force of the Antifraud Law, the representative of the nonresident is not required to be resident in Spain, with a reference to what is stated in each Tax Law.



2.4 WEALTH TAX

Spanish resident individuals are subject to Wealth Tax on their total assets (located worldwide) at December 31 of each year, valued according to tax provisions. Nonresidents are taxed only on the assets located or the rights exercisable in Spain. However, some tax treaties can affect the application of this provision. A new provision applicable in 2023 stipulates that securities representing an ownership interest in entities not traded on organized markets whose assets are made up, by at least 50%, directly or indirectly, of real estate located in Spain, will be deemed located in this country.

The law establishes an exemption from Wealth Tax for some assets, for example, those forming part of Spanish Historical Heritage, household furnishings, works of art and antiques, provided that their value does not exceed certain limits established by the legislation, vested rights of participants in pension plans and rights with economic content relating to similar social welfare systems, the work of an artist while it forms part of the artist's assets, assets or rights necessary for the direct, personal and habitual performance of a business or professional activity which constitutes the taxpayer's main source of income, and some holdings in the capital of certain entities (mainly family businesses). The taxpayer's principal residence is also exempt, up to a maximum amount of €300,000. An exemption for economic rights deriving from contributions to individual pan-European pension products is another recent addition.

The law establishes different methods for valuing each type of asset.

With regard to the scale of rates established for this tax, in the absence of regulation by the autonomous community in question, the following tax rates will apply:

NET TAXABLE INCOME (UP TO €)	TAX PAYABLE (€)	REST OF NET TAXABLE INCOME (UP TO €)	TAX RATE APPLICABLE (%)
0.00	0.00	167,129.45	0.2
167,129.45	334.26	167,123.43	0.3
334,252.88	835.63	334,246.87	0.5
668,499.75	2,506.86	668,499.76	0.9
1,336,999.51	8,523.36	1,336,999.50	1.3
2,673,999.01	25,904.35	2,673,999.02	1.7
5,347,998.03	71,362.33	5,347,998.03	2.1
10,695,996.06	183,670.29	onwards	3.5

These rates apply to residents on their worldwide assets, and to nonresidents on their assets or rights located or exercisable in Spain.

Moreover, in the absence of autonomous community regulations, the maximum exemption is €700,000.

The gross wealth tax payable, together with the PIT payable on the general component and the savings component of income, may not exceed, for resident taxpayers, 60% of their total taxable income subject to PIT. For this purpose, the following will not be taken into account: (i) the portion of savings income derived from capital gains and losses relating to the positive balance of gains obtained on transfers of assets acquired more than 1 year before transfer date, or the portion of gross personal income tax payable on that part of savings income, and (ii) the portion of wealth tax relating to assets which, because of their nature or use, are not capable of producing income taxed under the PIT Law.

If the sum of both taxes payable were to exceed the aforementioned limit, the wealth tax payable would be reduced to that limit, without that reduction exceeding 80%.

It is important to bear in mind that some autonomous communities have modified the exempt amounts while in others the tax is not payable (as in the Madrid autonomous community) because a 100% reduction applies.

However, there will be an obligation to file a tax return even if the tax payable is not positive, where the value of the assets or rights exceeds €2,000 million.

Due to the adaptation of the judgment of the Court of Justice of the European Union (CJEU), of September 3, 2014 (case C-127/12), the provision has been amended to establish that nonresident taxpayers, that are resident in a Member State of the EU or of the EEA, shall be entitled to apply the legislation approved by the autonomous community where the greatest value of their assets and rights are located and for which the tax is claimed, because they are located, can be exercised or must be fulfilled in Spain. For 2021 onwards, this right has also been extended to nonresident taxpayers from third States.

2.5 INHERITANCE AND GIFT TAX

Inheritance and Gift Tax applies to Spanish resident heirs, beneficiaries and donees and is charged on all assets received (located in Spain or abroad). Nonresident beneficiaries are also subject to this tax as nonresident taxpayers, and must pay the tax in Spain only on the acquisition of assets and rights (whatever their nature), that are located, exercisable or to be fulfilled in Spain.



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The tax base is formed by the net value of the assets and rights acquired, deemed as the market value or as the most likely price for which an asset free of encumbrances could be sold between independent parties. In the case of real estate, for taxable events accruing after July 10, 2021, their value will be the reference value provided for in the legislation of the real estate cadastre on the date on which the tax becomes due.

A series of reductions to the tax base are established, which include, most notably, the following:

- Reduction of 95% of the tax base deriving from a transmission *mortis causa* to spouses, children or adopted children or, in their absence, ascendants, foster parents or collateral relatives up to the third degree of a professional business, an individual enterprise, or interests in entities or usufructs on them of the donor or deceased which were exempt from wealth tax. The requirements are as follows:
 - The beneficiary of a transmission *mortis causa* must keep the assets received for at least 10 years.
 - The beneficiary cannot carry out transactions that result in a substantial diminution in the value of the assets.
- Reduction of 95% of the tax base for *inter vivos* transfers of interests in an individual enterprise, professional business or in entities belonging to the donor which are exempt from wealth tax (or which meet the requirements for such exemption) to spouses, descendants or adopted children provided moreover that (i) the donor is at least 65 years old or has a permanent disability, and (ii) if the donor had been discharging management duties, he/she must discontinue them and stop receiving remuneration in that connection.

The tax is calculated by adjusting a tax scale of progressive rates (depending on the value of the estate or gift) with a coefficient that takes into account the previous net worth and the degree of kinship with the donor.

As with other taxes devolved to the autonomous community governments, inheritance and gift tax legislation has been adapted to recognize the legislative power of those governments to approve reductions in the tax base and rates and in the coefficients for adjusting the tax payable, based on the taxpayer's previous net worth. However, Law 22/2009, of December 18, establishes the reductions, rates and coefficients to be applied if the autonomous community in question has not assumed the powers devolved, or where it has not yet made any regulations, in that connection.

The tax rates and adjustment coefficients (in the absence of rates and coefficients specifically approved by the relevant autonomous community) are the following:

TAX BASE (UP TO €)	TAX PAYABLE (€)	REMAINING TAX BASE (UP TO €)	APPLICABLE RATE (%)
0.00	–	7,993.46	7.65
7,993.46	611.50	7,987.45	8.50
15,980.91	1,290.43	7,987.45	9.35
23,968.36	2,037.26	7,987.45	10.20
31,955.81	2,851.98	7,987.45	11.05
39,943.26	3,734.59	7,987.46	11.90
47,930.72	4,685.10	7,987.45	12.75
55,918.17	5,703.50	7,987.45	13.60
63,905.62	6,789.79	7,987.45	14.45
71,893.07	7,943.98	7,987.45	15.30
79,880.52	9,166.06	39,877.15	16.15
119,757.67	15,606.22	39,877.16	18.70
159,634.83	23,063.25	79,754.30	21.25
239,389.13	40,011.04	159,388.41	25.50
398,777.54	80,655.08	398,777.54	29.75
797,555.08	199,291.40	onwards	34.00

Some autonomous communities, however, have established reductions which result in a tax payable of zero (or close to zero). This applies to inheritances and/or gifts, depending on the autonomous community, in the case of “close” heirs or donees (children, grandchildren, spouses, ascendants).

With regard to the place where the tax must be settled, a distinction must be made, in general, between transmissions *mortis causa* and *inter vivos*:

- Transmissions *mortis causa*: as a general rule, in the autonomous community in which the deceased was habitually resident.
- Transfers *inter vivos*: as a general rule, in the autonomous community where the acquirer is habitually resident, except in the case of real estate for which the place will be the autonomous community where the property is located.

These general location rules were applicable until recently to taxpayers resident in Spain, non-residents had to be taxed under State legislation in any event (which on many occasions caused discrimination because, as indicated, some autonomous communities have implemented significant rebates). Following the CJEU'S judgment of September 3, 2014 (Case C-127/12), specific connection points were established for taxpayers resident in the EU or in the EEA that were extended, for taxable events accruing after July 10, 2021, for the residents of third States⁴⁵. Accordingly:

⁴⁵ In 2018, the Supreme Court handed down various judgments (whose criteria have already been reiterated by the Directorate-General of Taxes and are being applied by the State Tax Agency), extending the effects of these provisions to inheritances and gifts in which the subjective elements (decendent, donor, heirs, legatees and donees) or objective elements (assets and rights) are or reside outside the EU or the EEA.

- i. When the **decedent** was a nonresident, the taxpayer will be entitled to apply the regulations approved by the autonomous community in which the **largest portion of the value of the assets and rights forming the decedent's estate is located in Spain**. If there are no assets or rights located in Spain, each taxpayer will be subject to the regulations of the autonomous community in which the taxpayer resides.
- ii. When the **decedent** was a resident in an **autonomous community** and the taxpayer is not a resident, the taxpayer will be entitled to apply the regulations approved by that autonomous community.
- iii. In the event of the acquisition of **real estate located in Spain** by donation or any other *inter vivos* legal transfer for no consideration, non-resident taxpayers will be entitled to apply the legislation approved in the autonomous community in which the real estate is located.
- iv. In the event of the acquisition of **real estate located abroad**, by donation or any other *inter vivos* legal transfer for no consideration, taxpayers resident in Spain will be entitled to apply the legislation approved in the autonomous community in which they reside.
- v. In the event of the acquisition of **moveable property located in Spain** by donation or any other *inter vivos* legal transfer for no consideration, non-resident taxpayers will be entitled to apply the legislation approved in the autonomous community in which the moveable property has been located for the highest number of days during the immediately previous five-year period, counted from date to date, ending on the day prior to the accrual of the tax.

Specific rules are provided to calculate tax payable in the case of donations in which, in a single document, the same donor donates different assets or rights to the same donee and the regulations of

different autonomous communities are applicable in accordance with the rules explained above.

2.6 SPANISH VALUE ADDED TAX

The European Union VAT Directives have been implemented in Spanish law (Law 37/1992, of December 28, in force since January 1, 1993), and the main provisions of these Directives are harmonized in the different Member States of the EU.

VAT is an indirect tax, the main feature of which is that it does not normally entail any cost for traders or professionals, only for the end consumer, because traders or professionals are generally entitled to offset their input VAT against their output VAT.

Within Spain, VAT is not applicable in the Canary Islands, Ceuta and Melilla.

In the Canary Islands, the Canary General Indirect Tax (IGIC), in force since January 1, is very similar to VAT and is an indirect tax levied on the supply of goods and services in the Canary Islands by traders and professionals and on imports of goods. The general IGIC rate is 7%.

Ceuta and Melilla charge a different indirect tax of their own (tax on production, services and imports).

2.6.1 TAXABLE TRANSACTIONS

The following transactions are subject to VAT when they are carried out by traders and professionals in the course of their business:

- Supplies of goods, generally defined as the transfer of the right to dispose of tangible property, although certain transactions not

involving a transfer of this kind may also be treated as supplies of goods for the purposes of VAT.

- Intra-Community acquisitions of goods (generally, acquisitions of goods dispatched or transported to Spanish VAT territory from another Member State).
- Imports of goods: These transactions are subject to VAT regardless of who performs them.
- Supplies of services.

2.6.2 VAT RATES AND EXEMPTIONS

VAT rates are as follows:

The standard rate is 21%, applicable to most supplies of goods and services.

However, there is a reduced rate of 10% applicable to supplies, intra-Community acquisitions and imports of the following, among others:

- Foodstuffs intended for humans or animals, not including alcoholic beverages and soft drinks, juices and fizzy drinks with added sugar or sweeteners.
- Water.
- Housing.
- Certain pharmaceutical specialties.



This reduced rate also applies to the following services, among others:

- Transportation of passengers and their luggage.
- Entry to libraries.

There is also a very reduced rate of 4% applicable to:

- Bread, flour, milk, cheese, eggs, fruit and vegetables.
- Books, newspapers and magazines that are not mainly composed of advertising.
- Medicine for human use cars for persons with disabilities.
- Prostheses for persons with disabilities.
- Certain subsidized housing.

Moreover, Law 7/2022, of April 8, on waste and contaminated ground for a circular economy, in force since April 2022, introduced the 0% rate for supplies of goods made in the form of donations to non-profit organizations defined in article 2 of Law 49/2002, of December 23, on the tax treatment of not-for-profit entities and tax incentives for patronage, provided they are used for purposes of public interest pursued according to that law.

In addition, Royal Decree-Law 8/2023 of December 27, adopting measures to combat the economic and social consequences of the conflicts in Ukraine and the Middle East, and to mitigate the effects of the drought, modified certain measures adopted in previous years and temporarily introduced the following ones:

- Application of a reduced rate of 10% (from 5% to 10%) for deliveries, imports and intra-Community acquisitions of electricity

made to certain electricity supply contract holders, with effect as from January 1, 2024 and valid through to December 31, 2024.

This measure was made conditional on the arithmetic mean of prices on the daily market for the last calendar month before the month containing the last day of the billing period having exceeded €45/MWh. Where this is not the case, the electricity is subject to taxation at the standard 21% tax rate.

- Application of a reduced rate of 10% (from 5% to 10%) on deliveries, imports and intra-Community acquisitions of natural gas, with effect as from January 1, 2024 and valid through to March 31, 2024.
- Application of a reduced rate of 10% (from 5% to 10%) on supplies, imports and intra-Community acquisitions of briquettes and pellets made from biomass materials and firewood, with effect as from January 1, 2024 and valid through to June 30, 2024.
- The reduction of the tax rate applicable to basic food products has been extended (0%, compared with 4%) as has the rate for edible oils and pastas (5%, compared with 10%) though to June 30, 2024.

Moreover, Royal Decree-Law 4/2024, of June 26, extending certain measures to combat the economic and social consequences of the conflicts in Ukraine and the Middle East, and adopting urgent tax, energy and social measures, extended the application of the 5% tax rate to pastas and seed oils and of the 0% tax rate to basic food items and olive oil until September 30, 2024. As from that date, the tax rates increase to 7.5% and 2%, respectively, until December 31, 2024⁴⁶.

Law 7/2024, of December 20, also amended subarticle 2.1.1, letter c) of article 91 of the VAT Law, introducing since December

22, 2024, the super-reduced rate of 4% (as opposed to 10%) for fermented milk.

This law also consolidated olive oil as a basic food item subject to the super-reduced rate of 4% as from January 1, 2025.

Certain transactions are exempt from VAT (for example, financial and insurance transactions, medical services, educational services, rental of housing). Since the trader or professional performing these activities does not charge VAT on such activities, they do not give the right to deduct input VAT, as described further on in this report, although there are other exempt transactions (mainly those relating to international trade, such as intra-Community supplies of goods or exports) that do confer the right to deduct input VAT.

Precisely in relation to intra-Community supplies that grant the right to the deduction, despite being treated as exempt transactions (full exemption), the following measures have been approved, effective since March 1, 2020:

- In order to apply that exemption, along with the requirement of the transport of the goods to another Member State, the following substantive – not formal – conditions are established:
 - The acquirer must have provided to the supplier a VAT identification number assigned by a Member State other than Spain, and
 - The supplier must include that transaction in its recapitulative statement of intra-Community transactions (form 349).
- In order to evidence the transportation of the goods to another Member State (necessary requirement to apply the

⁴⁶ The tax rate applicable to olive oil is reduced from the aforementioned 5% to 0% until September 30, and it will be subject to 2% tax from October 1 until the end of 2024.



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exemption in intra-Community supplies), a series of rebuttable presumptions are established. That transport must be proven with the following means of proof:

- Where the acquirer is the one that handles the transportation:
 - o Certificate by the acquirer stating that the goods have been transported by it or by a third party in its name, and specifying the destination of the goods.
 - o At least two documents related to the dispatch or transport of the goods (signed letter or CMR documents, bill of lading, air freight bill or invoice from the carrier of the goods) issued by parties unrelated to the seller and the acquirer.
 - o If at least two of the documents specified in the preceding paragraph are not available, at least one of the following means of proof issued by parties unrelated to the seller and the acquirer:
 - Insurance policy covering the dispatch or transportation of the goods, or bank documents proving the payment of the dispatch or transport.
 - Documents issued by an attesting official certifying the arrival of the goods.
 - Certificate by the warehouse keeper of the goods in the Member State, confirming the storage of the goods in that Member State.
 - o If the seller is the one that handles the transportation, the same provisions will apply except for the first

certificate mentioned in the preceding point, which will be replaced by a mere statement by the seller that the goods have been dispatched or transported by it or by a third party in its name.

- Measures are also included to harmonize the taxation of chain transactions, that is, successive supplies of goods between different traders or professionals, which are transported directly from one Member State to another by the first supplier to the final acquirer of the chain.

In order to determine which of the supplies has the status of exempt intra-Community supply, it is established that the transport is deemed linked to:

- The supply by the initial supplier to the intermediary, which will constitute an exempt intra-Community supply of goods, provided the latter has communicated a tax identification number issued by a Member State other than Spain.
- The supply made by the intermediary, where it has communicated a Spanish VAT number to the supplier. Thus, the supply by the supplier to the intermediary will be subject to and not exempt from VAT, and the supply made by the intermediary to its customer will be an exempt intra-Community supply.
- Lastly, in relation to the sales of buffer stock or consignment sales (agreements whereby a supplier sends goods from one Member State to another in order for them to be stored in the Member State of destination and available to another trader, that can acquire them after their arrival) a new regulation is established which permits simplifying the VAT treatment of these transactions and reducing the administrative burden of traders, provided a number of conditions are met.

Thus, since March 1, 2020, these sales have been regarded as giving rise to a single transaction⁴⁷: an intra-Community supply of goods that is exempt in the Member State of dispatch by the supplier, and an intra-Community acquisition in the Member State of arrival, by the customer when it retrieves the goods from the warehouse.

2.6.3 PLACE OF SUPPLY OF TAXABLE TRANSACTIONS

Spanish VAT is charged on the transactions referred to above which are deemed to be supplied in Spanish VAT territory.

The law establishes rules for determining the place where the various transactions are deemed to take place.

- Supplies of goods: the general rule is that goods are deemed to be supplied in Spanish VAT territory if they are handed over to the recipient in Spain. However, if the goods are transported in order to be handed over to the recipient, the supply will be deemed to be made in the place where the transportation commences. There are other exceptions to the general rule, such as those established for supplies of goods to be installed or assembled, etc.
- Supply of services: as a general rule, services are deemed to be supplied at the recipient's place of business or permanent establishment, if the recipient is a trader or professional,

⁴⁷ Previously, these transactions constituted a transfer of goods exempt in the Member State of dispatch and a transaction treated as an intra-Community acquisition of goods in the Member State of arrival, both performed by the supplier. Subsequently, when the customer retrieved the goods from the warehouse, there was an internal supply in the Member State of arrival, to which the reverse charge mechanism applied. Also, the supplier was required to be identified for VAT purposes in the Member State of destination of the goods.

however, if the recipient is a final consumer, the services will be deemed to be supplied at the supplier's place of business.

There are, however, exceptions to this general rule:

- Services related to real estate are deemed to be supplied at the place where the property is located. This rule also applies to services of accommodation at hotels, camping sites and spas.
- Transportation services (intra-Community or otherwise) are deemed supplied at the recipient's place of business, and it is no longer necessary to provide the VAT number that was required in some cases until now.
- Services consisting of passenger transportation (whatever the recipient's status) and of the transportation of goods (except intra-Community transportation), where the recipient is the final consumer, are taxed proportionately to the distance covered within Spanish VAT territory.
- The intra-Community transportation of goods to final consumers will be taxed in Spain the transportation begins within that territory.
- Certain services are deemed to be supplied in Spain where they are physically performed in Spanish VAT territory. This is the case, among others, of cultural, artistic, sports, scientific, educational, recreational and similar activities. The same rule applies to ancillary transportation services and to work on movable tangible property, experts' reports, etc. where the recipient is not a trader (if he is, the general rule will apply, i.e., the place of supply is the recipient's place of business).
- Services supplied electronically and telecommunications and television and radio broadcasting services will be deemed to be supplied at the recipient's place of business (whether it is the final consumer or a trader), unless they are supplied to a non-EU resident or to consumers domiciled in Spain and the services are used or operated in Spain. Moreover, VAT is not charged on services to final consumers that are not established in the Community.
- In order to facilitate the compliance with the tax obligations deriving from the aforementioned rule, in the case of services supplied to final consumers, two optional special regimes are established that permit taxable persons to pay the tax owed for the supply of those services through a website ("one-stop shop") in the Member State where they are identified, thus avoiding registration in each Member State where they carry out transactions (Member State of consumption). A distinction is made between:
 - o **Non-EU regime:** applicable to traders or professionals that have no type of permanent establishment or obligation to be identified for VAT purposes in any Member State of the Community. It is an extension of the special regime for services supplied electronically to telecommunications, TV and radio broadcasting services. The Member State of identification will be that chosen by the trader.
 - o **EU regime:** applicable to EU traders or professionals that supply telecommunications, TV and radio broadcasting services to final consumers in Member States where they do not have their

place of business or a permanent establishment. The Member State of identification will be that where they have their place of business or a permanent establishment.

It should be noted that Directive 2017/2455 establishes, effective from January 1, a threshold for determining the place of supply of these services, according to which where the total amount of this type of services provided by the supplier does not exceed €10,000, in the current or the preceding year, the services supplied to end consumers shall be deemed subject to VAT in the place of establishment of the supplier.

According to Spanish legislation, traders or professionals may voluntarily elect taxation at destination, even if the €10,000 mit has not been exceeded, and this election has a minimum validity of two calendar years.

- Restaurant and catering services will be deemed to be supplied in Spain:
 - Where supplied on board a vessel, an aircraft or a train during the section of a transport operation effected within the EU, if the transportation begins within Spanish VAT territory. In the case of a return trip, the return leg is regarded as a separate transport operation.
 - In the rest of restaurant and catering services, where they are physically supplied in Spanish VAT territory.
- The short-term hiring (30 days in general and 90 days in the case of vessels) of means of transportation will always be taxed where such means are placed at the recipient's disposal.



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- Intermediation services are supplied according to the place where the main transaction is deemed to be performed, if the recipient is not a trader. Otherwise, the general place-of-supply rule (recipient's place of business) will apply.
- Finally, a closing rule is established whereby certain services which, under the preceding rules, are not regarded as taking place in the European Community, the Canary Islands, Ceuta or Melilla but are effectively used or exploited in such territory, are subject to taxation in Spain.

This closing rule was amended by Law 31/2022 of December 23 on the General State Budget for 2023, and subsequently by Law 13/2023 of May 24, with effect as from January 1, 2023, its application being limited to certain services provided to private individuals and services consisting of the leasing of means of transport (for which its application is maintained regardless of the status of the recipient).

2.6.4 VAT FIXED ESTABLISHMENT

The definition of “place of business” and fixed establishment are relevant when determining the place where transactions subject to VAT are carried out. Also, as explained below, that definition is relevant for determining who the taxable person of those transactions is.

On this basis, where a fixed establishment exists in Spanish VAT territory—on the terms defined below—and this establishment intervenes in the performance of transactions subject to VAT, the transaction will be deemed located in Spanish VAT territory and, therefore, the establishment will be deemed the taxable person for VAT purposes, with the resulting obligations (register for VAT purposes, charge the tax, meet invoicing obligations, file returns, etc.).

Another of the main implications deriving from the fact of having a fixed establishment in Spanish VAT territory is the regime that applies for the refund of the VAT borne. In this regard, if a fixed establishment exists, the general refund regime will apply, while if there is not a fixed establishment, the special refund regime for non-established traders must be used, which involves initiating a proceeding to obtain a refund of the VAT borne.

Place of business is defined in the law as the place where the taxable person centralizes the management of, and habitually exercises, his business or professional activity.

Fixed establishment is defined as any fixed place of business from which a trader or professional carries on business activities⁴⁸. In particular, the following are deemed fixed establishments for VAT purposes:

- The place of management, branches, offices, factories, workshops, facilities, stores and, in general, agencies or representative offices authorized to conclude contracts in the name and for the account of the taxable person.
- Mines, quarries or tips, oil or gas wells or other places of extraction of natural products.
- A construction, installation or assembly project which lasts for more than 12 months.
- Farming, forestry or livestock operations.
- Facilities operated on a permanent basis by a trader or professional for the storage and subsequent delivery of his merchandise.
- Centers for purchasing goods or acquiring services.

- Real estate operated under a lease or any other arrangement.

It is noteworthy that although the definition and cases in which a permanent establishment is deemed to exist are similar for purposes of direct taxes and VAT, they do not fully coincide.

In cases where a fixed establishment exists in Spanish VAT territory, due to being established in that territory and deemed a VAT taxable person, it must meet the following obligations:

1. File returns relating to the commencement, modification and cessation of the activities that determine the applicability of the tax.
2. Request from the tax authorities a tax identification number and communicate and report it in the cases established.
3. Issue and deliver invoices or equivalent documents for its transactions and keep a duplicate thereof.
4. Keep the mandatory accounting records and registers, without prejudice to the provisions of the Commercial Code and other accounting provisions.
5. File periodically, or at the request of the tax authorities, information relating to its business transactions with third persons.
6. File the relevant tax returns and pay over the resulting tax. Also taxable persons must file an annual summary return.

⁴⁸ The so-called “force of attraction” of fixed establishments means that an activity is attributed to a fixed establishment if it “acts” in the supply of services, that is, where material or human resources attributable to the fixed establishment are organized for the purpose of performing the transaction.



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2.6.5 TAXABLE PERSON

The taxable person is the person with an obligation to charge or pay over VAT. This obligation normally lies with the trader or professional that performs the supplies of goods or services or other transactions subject to VAT.

There are, however, some exceptions in which the taxable person is the recipient in the transaction. This is generally the case of transactions, located in the Spanish VAT territory, in which the person performing them does not have a place of business or fixed establishment in Spanish VAT territory and the recipient is a trader or professional, regardless of whether or not he is established in Spanish VAT territory.

In the last years, new cases of reversal of liability have been established (applicable to transactions for which the VAT becomes chargeable on or after October 31, 2012) in relation to (i) certain exempt supplies of real estate in which the VAT exemption is waived, (ii) supplies of real estate to enforce security interests in real estate and accord and satisfaction in whole or in part, and (iii) certain works of construction and loaning of personnel to perform the work, it being necessary in these cases for the recipient to expressly communicate in a legally valid manner, and prior to or simultaneously with the performance of the transactions, that the requirements are met for the reversal of liability to apply.

That communication can be made through a written statement signed by the recipient, under its own responsibility, and addressed to the trader or professional that makes the supply. On this basis, the recipient is able to invoke the joint liability established in the VAT Law for those who, by action or omission, whether due to willful misconduct or negligence, avoid the correct charge of the tax.

Since April 1, 2015, the foregoing list includes some cases of supplies of (i) silver, platinum and palladium, (ii) mobile phones, and (iii) videogame consoles, portable computers and digital tablets.

Since January 1, 2023, on the other hand, the application of the reverse charge mechanism has been excluded for real estate leasing services subject to and not exempt from taxation, and services consisting of intermediation in the leasing of real estate, as a result of which the VAT must be paid in by the supplier of the service.

Moreover, since January 1, 2015, there is a new regime for deferral of the VAT on imports through the inclusion of those amounts in the tax return of the period in which the document evidencing the assessment made by the tax authorities is received.

It is an optional regime that may be applied by taxable persons whose tax period coincides with the calendar month (i.e., companies subject to the monthly refund regime, those whose volume of transactions in the preceding calendar year exceeds €6,010,121.04, or those that apply the VAT grouping scheme, among other cases).

Apart from the obligation to charge VAT, the taxable person must also:

- File notifications relating to the commencement, modification and end of activities.
- Request a tax identification number from the tax authorities and notify and evidence it in the cases established.
- Issue and deliver an invoice for all its transactions.
- Keep accounting records and official books (specific VAT books)⁴⁹.
- File periodically, or at the request of the authorities, information relating to its business transactions with third parties.
- File tax returns (monthly or quarterly, depending on its volume of transactions, and an annual summary return).

- Appoint a representative in order to comply with its obligations where the taxable person does not have an establishment in Spanish VAT territory. This obligation only applies to traders that are not established in the EU, unless they are established in a State with which Spain has mutual assistance arrangements in place.

2.6.6 TAXABLE AMOUNT

In general terms, the taxable amount for VAT purposes is the total consideration for the transactions subject to VAT received from the recipient or from third parties.

VAT legislation also establishes a series of special rules on determining the taxable amount, including rules on self-supplies of goods or services and on cases where the parties are related to each other (the taxable amount consists of the normal market value).

2.6.7 DEDUCTION OF INPUT VAT

Under Spanish VAT Law taxable persons are generally entitled to deduct their input VAT from their output VAT, provided that the goods and services acquired are used to perform the following transactions, among others:

- Supplies of goods and services subject to and not exempt from VAT.

⁴⁹ Effective starting on January 1, 2009, for operators that elect to apply the monthly refund regime, and starting in January 2012, for all other operators, they must mandatorily file their returns telematically.

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- Exempt transactions which give entitlement to a deduction, with the aim of securing that traders act neutrally in intra-Community or international trade (i.e. exports).
- Transactions performed outside Spanish VAT territory which would have given rise to the right to deduct had they been performed within that territory. In general, the input tax paid on the acquisition or import of goods or services that are not used directly and exclusively for business or professional activities may not be deducted, although there are specific rules such as those relating to the tax paid on capital goods (partial offset).

The right to deduct input VAT is also subject to formal requirements and may be exercised within four years.

There are several deduction systems, and the main features of each are as follows.

2.6.7.1 GENERAL DEDUCTIBLE PROPORTION RULE

This rule applies when the taxable person makes both supplies of goods or services giving rise to the right to deduct and other transactions which do not (i.e. exempt financial transactions).

Effective from January 1, 2006, the effect of subsidies on the right to deduct VAT was eliminated.

Under the deductible proportion rule, input VAT is deductible in the proportion which the value of the transactions giving the right to deduct bears to the total value of all the transactions carried out by the taxable person in the course of his business or professional activity.

In other words, the percentage of deductible VAT is determined under the following formula:

$$\frac{\text{Transactions entitling to deduction}}{\text{Total transactions}} \times 100$$

The resulting percentage is rounded up.

Effective starting on January 1, 2014, and in force indefinitely, the transactions carried out from permanent establishments outside the Spanish VAT territory will be excluded from the calculation of the general deductible proportion regardless of where the costs for performing the transactions have been borne or incurred.

2.6.7.2 SPECIAL DEDUCTIBLE PROPORTION RULE

This system is generally elected by the taxable person (the election must normally be made in the month of December prior to the year in which it will apply). The basic features of this deduction system are the following:

- VAT paid on acquisitions or imports of goods and services used exclusively for transactions giving the right to deduct may be deducted in full.
- VAT paid on acquisitions or imports of goods and services used exclusively for transactions not giving the right to deduct may not be deducted.
- VAT paid on acquisitions or imports of goods and services used only partly for transactions giving the right to deduct, may be deducted in the proportion resulting from applying the general deductible proportion rule.

The special deductible proportion will apply obligatorily where the total sum of deductible VAT in a calendar year by application of the general deductible proportion rule exceeds by 10% or more that which would result by application of the special deductible proportion rule.

2.6.7.3 DEDUCTION SYSTEM FOR DIFFERENT SECTORS OF BUSINESS ACTIVITY

Where the taxable person carries on business activities in different sectors, it has to apply the relevant deductible rules to each of those activities separately.

“Business activities in different sectors” means activities classed in different groups in the National Classification of Business Activities and the deduction systems applicable to them are also different (this requirement is deemed to be met, among other cases, where under the general deductible proportion rule, the percentage of deductible VAT differs by more than 50 percentage points).

In such a case, the taxable person must apply the general or the special deductible proportion rule, on the terms described above, in each of the business sectors. The VAT paid on acquisitions or imports of goods and services that cannot be specifically allocated to any of the activities will be deducted in the general deductible proportion resulting from its activities as a whole.

It should be noted that starting in 2015, the calculation of the general deductible proportion applicable to common input VAT, in the deduction system for different sectors of business activity, excludes the volume of transactions under the special VAT grouping scheme.



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2.6.8 REFUNDS

If the VAT charged exceeds the amount of deductible VAT, the taxable person must pay over the difference in its periodic (monthly or quarterly) returns.

If, conversely, the amount of deductible VAT exceeds the amount of VAT charged, the taxable person may request a refund of the excess which, as a general rule, can only be claimed in the last return for the year.

However, provided certain regulatory requirements are met, taxable persons who register on the Monthly Refund Register may claim a refund of the balance existing at the end of each assessment period.

Registering on this Refund Register carries with it the obligation to file VAT returns monthly by telematic means (regardless of the taxable person's turnover) as well as the obligation to keep VAT registers electronically.

The period for obtaining the refund is 6 months from the end of the period for filing the last return of the year (January 30 of the immediately following year) as a general rule and from the end of the period for filing monthly returns in the case of taxable persons registered on the Monthly Refund Register.

There are specific rules on the refund of VAT paid in Spain by traders that are not established in Spanish VAT territory. To obtain refunds in these cases, the following requirements must be met:

- Persons applying for a refund must be established in the EU or, otherwise, must evidence a reciprocal arrangement in their country of origin for traders or professional established in

Spain (in other words, Spanish traders would obtain a refund of an equivalent tax in their country of origin).

Said reciprocity requirement has disappeared with the approval of Law 28/2014, of November 27, for the tax borne on restaurant, hotel and transport services linked to the attendance at trade fairs, conferences and exhibitions and the access to them, as well as in relation to the acquisition or import of molds, templates or equipment used to manufacture goods which are exported to a non-established trader, provided that such equipment is also exported or destroyed when no longer used.

- A trader that is not established must not have carried out transactions in Spanish VAT territory that would make it qualify as a taxable person.
- Unlike taxable persons established in the EU, those persons who are not established in the EU must appoint a representative, resident in Spanish VAT territory, the representative will be responsible for fulfillment of the relevant formal and procedural requirements and will be jointly and severally liable in the case of incorrect refunds and sufficient security may be sought from it for these purposes.
- Input VAT is refundable in Spain if it was paid on acquisitions of goods and services or imports of goods used to perform transactions that give the right to deduct (both in Spain and in the country where the trader is established).

Refund claims may only be related to the immediately preceding year or quarter, and the time limit for filing them is September 30 of the following year⁵⁰ and it may not be less than €400 if the claim is filed quarterly, or less than €50 if it is annual.

2.6.9 SPECIAL VAT CASH-BASIS ACCOUNTING SCHEME

Since January 1, 2014, a "Special VAT cash-basis accounting scheme" can be applied by taxable persons with a volume of transactions not exceeding €2 million in the preceding calendar year. Once the taxable person has elected to apply it, it shall be deemed extended save for waiver (which will have a minimum validity of 3 years) or exclusion therefrom due to one of the causes listed in the law.

For an operator that elects to apply this scheme, the chargeable event in all its transactions (except for certain ones established in the law) arises when the total or partial price is collected, in respect of amounts effectively received, with a limit of December 31 of the year after that in which the transaction was carried out, at which time the tax will be chargeable in all cases even if the price has not been collected.

This cash-basis accounting scheme also affects the VAT borne by the taxable persons that elect to apply it, meaning that they can only deduct VAT when the payment is made.

Due to the amendment of the rules on the chargeability in transactions carried out under this special scheme, the deduction of VAT borne by any trader or professional (even though it has not elected to apply it) that receives supplies of goods or services made by operators that apply the scheme will be deferred until the payment or, as the case may be, until December 31 of the year after that in which the transaction was carried out.

⁵⁰ A new procedure has been established whereby applications for refunds by EU traders not established in Spain must be submitted via the electronic portal set up for that purpose by their own tax authorities.

The rules on the chargeable event in supplies of goods and services by operators subject to the special scheme are accompanied by changes in relation to invoicing obligations, the content of the VAT registers and the information to be provided in the informational returns on transactions with third parties, which are basically summarized as follows:

- Regarding invoicing obligations, it is necessary to include a specific reference to the application of this scheme.
- In relation to the content of the VAT registers, certain additional content is included (payment/collection dates, amounts and means of payment used) in order to permit monitoring the application of the specific rules on the chargeable event, both at operators subject to the special scheme and at the recipients of the invoices.
- A dual system is used for recording those transactions in the informational return of transactions with third parties.

2.6.10 SPECIAL VAT GROUPING SCHEME

This system is the result of the transposition into Spanish legislation of the option, set out in the European Union VAT Directive, to treat entities that are sufficiently related financially, economically and from an organizational standpoint, as a single taxable person.

“Sufficiently related” is defined in the law as applying to a parent company (which cannot be the subsidiary of another company in Spanish VAT territory, on the terms described) and the entities over which it has effective control, either because it holds a direct or indirect interest in their capital stock of at least 50%, or because it owns a majority of the voting rights, maintained

throughout the calendar year, provided that the entities included in the group have places of business or fixed establishments located in Spanish VAT territory.

This system is optional and applies for at least 3 years, which term is automatically extendible, and any potential waiver of the system also applies for at least 3 years.

The option must be elected by the parent company prior to commencement of the calendar year in which it must take effect. The decision to elect the special system must be adopted by the boards of directors of each of the entities that will belong to the group.

In its simplest form, the system merely consists of the ability to aggregate the individual VAT returns of the group companies that elect to apply the system, so that the balances of offsettable or refundable VAT of some companies may be offset immediately against the balances of tax payable belonging to the others, thereby reducing or eliminating any financial expense resulting from reporting balances to the tax authorities, for which a refund cannot be claimed as a general rule until the final tax return of the year.

Optionally, group companies may request to use a specific method for determining the taxable amount, deductions and waiver of exemptions in intra-group transactions.

Under this specific method, the taxable amount would be any direct or indirect costs incurred in whole or in part in supplying goods or services to group companies, provided VAT has actually been paid on them (the costs on which no VAT has been paid cannot be included).

This optional method also envisages the power to waive certain exemptions that may be applicable to intra-group transactions, a power

which may be exercised on a case-by-case basis for each transaction, and a special system is established for making deductions.

As a general rule, the special system for groups of companies establishes a series of specific obligations for the parent company of the group, such as, for example, the obligation to keep a cost accounting information system and prepare a report supporting the allocation method used (in the case of the extended version of the system).

The head company must file a joint return once all the individual returns of the group entities have been filed. VAT is settled on a monthly basis, regardless of the volume of transactions.

The group of entities may also elect to apply the new monthly refund regime, in which case the parent company will be responsible for filing the relevant census declaration.

2.6.11 CHARGEABILITY AND TAX RETURN PERIOD

In general, the tax becomes chargeable (i) in supplies of goods, when they are placed at the disposal of the acquirer (or, as the case may be, when the supply is made according to applicable legislation), and (ii) in supplies of services, when the taxable transactions are carried out, executed or fulfilled. However, in case of advance payments, the tax becomes chargeable when the price is collected in full or in part, on the amounts actually received.

Generally, the VAT period coincides with the calendar quarter. VAT returns must be filed in the first twenty calendar days of the month following the tax period, that is, from 1 to 20 of April, July and October, and from 1 to 30 of January for that relating to the fourth quarter. Along with the fourth quarter VAT return, the annual VAT recapitulative statement (Form 390) must be filed.

However, in cases in which the volume of transactions of the taxable person in the immediately preceding calendar year calculated according to the provisions of the VAT Law, has exceeded €6,010,121.04, or if the taxable person is subject to the special scheme for groups of entities mentioned in the preceding section, or the monthly refund scheme, the assessment period coincides with the calendar month. In these cases, since the entry into force in July 2017 of the immediate supply of information system (SII)⁵¹, VAT returns must be filed during the first thirty calendar days of the month following the relevant monthly assessment period, or until the last day of February in the case of the monthly VAT return for January. These taxable persons are exempted from the obligation to file the annual return (form 390).

These VAT returns must be filed telematically.

2.6.12 INVOICING OBLIGATIONS

The invoicing obligations are a basic element of the application and settlement of VAT. In this regard:

- The invoice is the means which taxable persons must use to fulfill the obligation to charge VAT to the recipient of the taxable transaction.

The obligation to issue and deliver an invoice for each transaction carried out applies to all traders and professionals. The trader or professional who issues the invoice must also keep a copy or counterfoil of that invoice.

- The recipient of a transaction subject to VAT must be in possession of an invoice in order to be able to deduct the VAT borne.

In accordance with Spanish legislation, the obligation to issue an invoice applies not only to traders or professionals but also to those

who do not have that status but who are VAT taxable persons, and in respect of the supplies of goods and services made in the performance of their business which are deemed located in Spanish VAT territory, even if they are not subject to or are exempt from VAT.

As stated in the section in which we analyzed the concept of permanent establishment, the fact of having an establishment in Spanish VAT territory that intervenes in the performance of transactions subject to VAT means, among other obligations, that due to being established in Spanish VAT territory, it must register for VAT purposes and issue invoices for the transactions in which it participates. For these purposes, the establishment will have the same consideration as a Spanish entity.

For these purposes, according to Royal Decree 1512/2018, of December 28, amending, among others, the VAT Regulations, the legislation applicable to invoices issued by taxable persons subject to special regimes establishing a single point of contact for services supplied electronically, consisting of telecommunications, radio broadcasting and television services, which to date was that of the Member State of consumption, shall now be the legislation of the Member State of identification. This avoids the taxable person being subject to different legislations on invoicing.

Accordingly, Spanish invoicing legislation will apply to the supplier of the electronic services when Spain is the Member State of identification.

As regards the content of invoices, they must contain (in general and except in certain specific cases⁵²) the following data:

1. Number and series, if any. The numbering of the invoices within each series must be correlative.

2. Issuance date.
3. First and last names, business name or complete corporate name of the party obliged to issue the invoice and of the recipient of the transaction.
4. Tax identification number attributed by the Spanish tax authorities or by those of another Member State of the EU, with which the party obliged to issue the invoice has performed the transaction.
5. Tax identification number of the recipient, in the following cases:
 - Exempt intra-Community supplies.
 - Transaction in which the recipient is the VAT taxable person thereof (reverse charge mechanism).
 - Transactions performed in Spanish VAT territory where the trader or professional obliged to issue the invoice is deemed established in that territory.
6. Address of the party obliged to issue the invoice and of the recipient of the transaction.
7. Description of the transaction, specifying all the data necessary to determine the VAT taxable amount and the VAT payable, including the transaction unit price without VAT, and any discount or reduction not included in that unit price.

⁵¹ Electronic submission of the VAT books.

⁵² Royal Decree 1007/2023 of December 5, was published, approving the Regulations setting out the requirements to be met by computer or electronic systems and programs used for the billing processes of traders and professionals and on the standardization of billing record formats.

8. Tax rate/s applied to the transactions, including, as the case may be, the compensatory charge rate, which must be specified separately.
9. The VAT payable, if any, specified separately. That amount must be expressed in euros.
10. The date of performance of the transactions documented in the invoice or, as the case may be, the date on which the advance payment has been received, provided that it is different from the invoice issuance date.

The invoice must be issued in the following periods:

- As a general rule, at the time the transaction is performed.
- If the recipient of the transaction is a trader or professional acting as such, before the 16th day of the month following the tax return period in which the transaction has been carried out.

Some important implementing regulations in relation to electronic billing have recently been introduced.

On the one hand, Royal Decree 1007/2023 of December 5 (known as the “Veri*factu Regulation”) and Order HAC/1177/2024, of October 17, implement the billing obligations established in Law 11/2021, of July 9. The content of these Regulations does not apply to taxpayers that keep their VAT registers through the SII.

According to those Regulations, taxpayers must have functioning computer systems with the features and that meet the requirements established in that law before July 1, 2025⁵³.

On the other hand, Law 18/2022, of September 28 (known as the “Create and Grow Law”) introduced the obligation to issue, as a general

rule and with some exceptions, electronic invoices in transactions taking place between businesses and professionals (B2B).

This electronic invoicing obligation was conditional on the approval of the regulations implementing the content of Law 18/2022, of September 28. There is currently a Draft Royal Decree setting out the implementing regulations which is pending approval.

For traders whose volume of transactions has exceeded €8 million in the immediately preceding calendar year, the provisions of that law will take effect 12 months after its publication in the Official State Gazette (24 months for all other traders).

2.7 TRANSFER AND STAMP TAX

Transfer and stamp tax is levied on a limited number of transactions, including most notably:

TAX RATE (*)	(%)
Corporate transactions (**)	1
Transfers of real estate	6
Transfers of movable assets and administrative concessions	4
Certain rights in rem (mainly guarantees, pensions, security or loans)	1
Certain public deeds	0.5

(*) The Autonomous Communities are entitled to opt to apply a different rate in certain cases. In fact, most of them have opted to apply a 7% rate (and even higher rates) to real estate transfers, and a 1.5% rate of Stamp Tax to certain transactions.

(**) At present, business restructuring transactions, company formations, capital increases, shareholder contributions in general and certain transfers of the place of effective management or registered office are not taxed.

However, if the vendor is a company or an individual real estate developer, the transfer of buildable land or the first supply of

buildings is taxed under VAT. Second and subsequent supplies of real estate by companies, traders or professionals in the course of their activity may opt to pay either transfer tax or VAT. This option is applicable if the acquirer is a trader or professional who can deduct all his VAT borne and the vendor waives to the VAT exemption, in which case, the acquirer will pay VAT rather than transfer tax (this option was only possible if the recipient could deduct all of the VAT borne, although starting on January 1, 2015, it will suffice for the right to the deduction to be partial, even if due to the expected use of the goods transferred).

Transfers of shares of Spanish companies are generally exempt from any indirect taxation. However, they can trigger taxation under VAT/transfer tax if real estate companies are transferred (that is, companies in which more than 50% of the assets are real estate located in Spain not assigned to business or professional activities) where the control of those entities is acquired, if it is considered that the transfer is carried out with an “avoidance aim”. An “avoidance aim” is presumed to exist (unless proven otherwise) where the acquirer obtains control of a real estate company and its real estate (or the real estate of the real estate companies owned by that company, the control of which is acquired) is not assigned to economic activities.

In these cases, the transaction will be subject to VAT or to transfer tax, as appropriate.

It should be noted, lastly, that unlike VAT, transfer tax entails a cost for the acquirer/beneficiary.

53 However, after the publication of the Order, a prior public consultation process was initiated in relation to the amendment of the Veri*factu Regulation, in order to modify its entry into force and defer it until January 1, 2026, for taxpayers subject to CIT, and until July 31, 2026, for all other taxpayers subject to Veri*factu, among other modifications.

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2.8 EXCISE AND SPECIAL TAXES

In Spain there are several excise taxes in line with the EU Directives on this matter, such as (i) excise taxes on consumption (spirits and alcoholic beverages, beer, oil and gas and tobacco products)⁵⁴, (ii) special tax on certain means of transport (also applicable in the Canary Islands, Ceuta and Melilla), or (iii) electricity tax (applicable throughout Spain), which is levied on the consumption of electricity.

2.9 CUSTOMS DUTIES ON IMPORTS

Most customs duties levied in Spain are standard-rate duties which are generally payable on imports when the goods clear customs. With very few exceptions the duties are “*ad valorem*”, i.e. on CIF or similar invoice value. The rest are minor customs duties relating to storage and deposit rights and the sale of abandoned goods.

The “Harmonized Goods Classification System” and the European Economic Community (“EEC”)⁵⁵ Tariff (TARIC) have been in force in Spain since 1987. Also, since Spain’s accession to the EEC, only the exemptions established by the EEC have been applicable.

2.10 TAX ON INSURANCE PREMIUMS

This is an indirect tax which is levied in a single payment on insurance and capitalization transactions based on actuarial techniques and arranged by insurance entities operating in Spain, including those operating under the principle of freedom to provide services.

2.11 TAX ON FINANCIAL TRANSACTIONS

This is an indirect tax levied on acquisitions for consideration of shares representing the capital stock of Spanish companies, when the following conditions are met:

- The company’s shares must listed on a stock exchange of Spain or another European Union Member State deemed to be a regulated market pursuant to Directive 2014/65/EU or an equivalent third-country market pursuant to article 25.4 of that Directive.
- The stock market capitalization of the company at December 1 of the year preceding the acquisition must exceed €1,000 million.

This tax is required irrespective of where the acquisition is carried out and of the residence or the place of establishment of the parties participating in the transaction.

In any event, a series of exemptions are established affecting the primary market and the acquisitions required for the functioning of market infrastructure, regarding corporate restructurings, those performed between companies in the same group, temporary transfers and certain treasury stock purchases. In addition, a new exemption has been introduced for acquisitions made by not-for-profit voluntary social provision entities, occupational pension funds, or welfare mutual insurance companies.

2.12 TAX ON CERTAIN DIGITAL SERVICES

This is an indirect tax, compatible with VAT, levied on the provision of certain digital services.

- The placing on a digital interface of advertising targeted at users of that interface (online advertising services).
- The making available of multi-sided digital interfaces to users which allow users to find other users and to interact with them, or even facilitate the provision of underlying supplies of goods or services directly between those users (online intermediation services), and
- The transmission, including sales or assignments, of data collected about users which has been generated from such users’ activities on digital interfaces (data transmission services).

For these purposes, supplies of digital services shall be deemed to be provided in Spanish territory when a user is located in that territory, regardless of whether such user has paid any consideration contributing to the generation of the revenue obtained from the service.

The taxpayers shall be those providers of digital services that exceed all of the following thresholds simultaneously:

- Net revenue above €750 million in the previous calendar year.
- Total amount of revenues derived from the provision of digital services subject to the tax, corresponding to the previous calendar year, after applying the rules for determining the taxable amount (in order to thus determine the part of such revenues that corresponds to users located in Spanish territory) above €3 million.

⁵⁴ In general, these special taxes are not applicable in the Canary Islands, Ceuta and Melilla (the special taxes on spirits and beer are also applicable in the Canary Islands).

⁵⁵ Currently the European Union.



2.13 REPORTING OBLIGATIONS RELATING TO ASSETS AND RIGHTS ABROAD

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The law regulates an obligation to report assets and rights abroad that applies to individuals and legal entities (including pass-through entities) resident in Spain or nonresident with a permanent establishment.

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This obligation affects accounts, securities (including insurance and life or temporary annuities) and real estate or rights over real estate, with certain quantitative and qualitative exceptions.

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Although this is a purely formal obligation to be met each year in relation to information referring to the preceding year (the first return to be filed being that relating to the fiscal years ending on or after October 29, 2012), the failure to comply with this obligation or the incorrect or late compliance with this obligation was subject to a costly penalty regime pursuant to which penalties were calculated per item or set of data not reported or reported inaccurately or late.

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In addition, if this obligation was not fulfilled in a timely manner, the income detected was deemed undisclosed income or an unjustified capital gain for CIT or PIT purposes, respectively, attributable to the last earliest period of those not statute-barred, even if it were proven that the income was generated before that, unless it was evidenced that the income was reported and tax was paid on it or that it was generated when the taxpayer was not resident in Spain. If this undisclosed income or unjustified capital gain were attributed to the taxpayer, it could entail a penalty of 150% of the tax debt derived from that attribution.

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These consequences (attribution of undisclosed income or unjustified capital gains, fixed penalties and penalty of 150%) were analyzed by the European Commission through an infringement proceeding

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brought against Spain (2014/4330 C(2017) 1064) in accordance with article 258 of the Treaty on the Functioning of the EU.

The CJEU finally ruled, in a judgment of January 27, 2022, that Spain had breached its obligations pursuant to the principle of free movement of capital, for the following reasons:

- Because the breach of, or the incorrect or late compliance with, the obligation entails taxing the undisclosed income without the possibility for the taxpayer to invoke the statute-barring of the tax obligation.
- Because it penalizes such conduct with a penalty of 150% of the tax payable relating to that attribution of unreported income, which can also be accumulated to fixed fines.
- Lastly, because it penalizes such breaches with unlimited fixed fines that are not proportional to the penalties established in a purely national context.

Pursuant to that judgment, Law 5/2022, of March 9, was approved, effective starting on March 11, 2022, eliminating the aforementioned penalty regime, and establishing that the income allocable to assets or rights that was not reported or that was reported late is an unjustified gain. Notwithstanding, the CJEU judgment should have immediate effects following its publication, and the State Tax Agency is already refunding the penalties charged previously.

The Central Economic-Administrative Tribunal ruled, in a decision handed down in March 2022, that the effects of the judgment are applicable immediately, but remembering that Spanish legislation still includes a regime of attribution of unreported income or capital gains (that does not depend on the existence of this disclosure of assets and rights abroad through the aforementioned return).

Thus if, due to filing that return, there is a disclosure of income not reported previously (and generated when the taxpayer was a resident), the taxpayer must be in a position to prove that it was generated in statute-barred periods, in order to avoid said attribution to the tax base.

For now, after the elimination of the specific penalty regime for the failure to file said return, Spain has not established any penalty regime other than the one established for the rest of informational returns.

The general return period runs from January 1 to March 31 of the year following that for which the return is filed.

2.14 TAX ON FLUORINATED GREENHOUSE GASES

The Tax on fluorinated greenhouse gases (IGFEI) is an indirect tax levied on the use in Spanish territory of fluorinated greenhouse gases. According to the relevant provisions, this includes the following:

- The hydrofluorocarbons (HFC), perfluorocarbons (PFC) and sulfur hexafluoride (SF₆) listed in Annex I of Regulation (EU) no. 517/2014 of the European Parliament and of the Council, of April 16, 2014 on fluorinated greenhouse gases and repealing Regulation (EC) no. 842/2006.
- Mixtures containing any of the above substances.

The taxable event is the manufacture, the importation, the intra-Community acquisition or the unlawful possession of fluorinated greenhouse gases and is deemed to have taken place irrespective of whether the gases are packaged in containers or are incorporated into products, equipment or appliances.



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The tax rate is determined by applying a coefficient of 0.015 to the global warming potential corresponding to each gas at the point in time at which the taxable event takes place, with a cap of €100 per kilo. However, in the case of products, equipment or appliances containing gases on which the tax is levied and whose global warming potential is unknown, the tax rate is presumed to be €100 per kilo.

This tax is applicable throughout Spanish territory, without prejudice to any provincial (*foral*) regimes applicable and to the provisions of international treaties and conventions.

2.15 EXCISE TAX ON NON-REUSABLE PLASTIC PACKAGING

This tax is applicable throughout Spanish territory (without prejudice to any provincial (*foral*) regimes applicable and to the provisions of international treaties). It is an indirect tax charged on **the use, in the area where the tax applies, of non-reusable packaging containing plastic**, including both empty packaging and any holding, protecting, or used to handle, distribute or present, goods.

It is levied at a **proportional rate of €0.45 on the kilograms of non-recycled** plastic contained in taxable products, at the time of their manufacture, intra-Community acquisition or import. Namely, the manufacture, import or intra-Community acquisition of the following products are taxable:

- Non-reusable packaging containing plastic.
- Semi-finished plastic products used to obtain the packaging referred to in the previous point (such as preforms or thermoplastic laminates).

- Products containing plastic used to enable the closure, marketing or presentation of non-reusable packaging.

The taxable person, accrual and assessment period are established according to whether the tax is levied on the manufacture, or on the intra-Community acquisition or import of the products.

2.16 TAX ON WASTE SENT TO LANDFILL, INCINERATION AND CO-INCINERATION

This is also an **indirect tax applicable throughout Spanish territory** (without prejudice to any provincial (*foral*) regimes applicable and to the provisions of international treaties). It is levied on the **sending of waste for disposal at landfill sites**, or for disposal or recovery for energy generation at waste incineration or co-incineration facilities.

It is a tax for which competence has been devolved to the Autonomous Communities.

The tax accrues at the point when the waste is landfilled or at the point when it is incinerated or co-incinerated at the corresponding facilities.

The taxable person, as taxpayer, is whoever sends the waste to landfill sites or incineration or co-incineration facilities and, as taxpayer substitute, the managers of the landfill sites or incineration or co-incineration facilities.

The taxable amount is calculated by reference to the weight, measured in metric tons (Tm) expressed in figures with up to three decimal places, of landfilled, incinerated or co-incinerated waste, and will be determined for each facility where the activities constituting the chargeable event for the tax are performed.

The gross tax liability is calculated by multiplying the taxable amount by a proportional rate varying according to the type of waste (between €0 and €40 per metric ton).

2.17 TAX ON THE MARGIN ON INTEREST AND FEES OF CERTAIN FINANCIAL INSTITUTIONS

Effective since January 1, 2024, tax on the margin on interest and fees was created for certain financial institutions. This direct tax is charged on the obtaining of a positive margin on interest and fees in Spain by financial institutions and branches of foreign credit institutions.

The tax period coincides with the business year and the tax is chargeable on the day following the end of the tax period. The tax is payable in September each year, although an installment payment of 40% must be made in February (the first installment payment will be in June 2025).

The taxable amount is calculated by adding together and offsetting the margins on interest and the income and expenses for fees derived from the activity in Spain, in accordance with accounting legislation. A reduction of €100 million applies to the taxable amount to determine the net tax base.

A progressive scale of rates is established with five tranches: 1%, 3.5%, 4.8%, 6% and 7% (the last rate applies to the portion of the net tax base exceeding €5,000 million).

In order to calculate the net tax payable, the gross tax payable will be reduced by 25% of the net CIT payable of the same tax period. If the taxpayer belongs to a tax group,



a proportional rule will apply. In no case may the net tax payable be negative.

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Moreover, if the return on assets (ROA) is below 0.7%, an extraordinary tax credit will apply. Also, this tax is not deductible in the CIT return.

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2.18 GLOBAL MINIMUM TOP-UP TAX FOR LARGE GROUPS

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Effective for tax periods starting on or after January 1, 2024, Council Directive (EU) 2022/2523 has been transposed into Spanish law, creating a top-up tax to ensure a global minimum level of taxation of 15% for large multinational groups and large-scale domestic groups (pursuant to the Pillar Two rules). Specifically, this tax is charged on large groups with consolidated revenue of over €750 million in at least two of the four fiscal years immediately preceding the tested fiscal year. The Spanish tax essentially follows the contents of the directive.

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2.18.1 CALCULATION RULES

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The Top-Up Tax must be calculated at jurisdictional level considering the aggregate figures of the constituent entities of the group that are established in the jurisdiction subject to analysis. The accounting figures used will be those prepared in accordance with the financial accounting standards used to prepare the consolidated financial statements of the ultimate parent entity.

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There are two calculation methods established:

- Initially, a transitional “safe harbour” system may be applied: these rules may be applied by taxpayers belonging to a

multinational group that prepares and submits a country-by-country report. This system will be in force for tax periods from 2024 to 2026. Specifically, during this period, the tax will not be payable if any of the following three tests is met:

- De minimis test: this test is met if (i) the group’s gross revenues in a jurisdiction are €10 million or less, and if (ii) the income/loss before tax in that jurisdiction is €1 million or less. Both figures will be obtained from the country-by-country report prepared according to the standards and guidelines published by the OECD (qualified Country-by-Country Report).
- Simplified effective rate test: this test is met if the simplified effective tax rate in the jurisdiction is equal to or above the transitional rates of 15% for 2024, 16% for 2025 and 17% for 2026. The simplified effective tax rate is obtained by dividing the CIT expense recognized by the entities’ financial statements by the income/loss before tax obtained from the qualified Country-by-Country Report.
- Substance-based income exclusion test: this test is met if the income/loss before tax in a jurisdiction is less than or equal to the amount of the substance-based income exclusion. On a simplified basis, this exclusion will be the result of multiplying payroll costs and the value of tangible assets in a jurisdiction by the multipliers established for each of these items in fiscal years 2024, 2025 and 2026.

By applying this test, when the group incurs net losses in a jurisdiction, it will not have to pay the tax in that jurisdiction.

- For tax periods starting as of 2026 (or in cases where the transitional safe harbour rules do not apply between 2024 and 2026): the Top-up Tax will be chargeable if the effective tax rate (ETR) of the constituent entities of a group in a jurisdiction is below the minimum rate of 15%.

The ETR of a jurisdiction will be the result of dividing the adjusted covered taxes by the qualifying net gains of the constituent entities established in that jurisdiction. If the ETR is higher than the global minimum rate of 15%, there will be no obligation to pay the tax. In contrast, if the ETR is below the global minimum rate, a Top-Up Tax will apply, amounting to the difference between 15% and the ETR.

This Top-Up Tax will apply to the qualifying income and losses adjusted by the substance-based income exclusion, according to the multipliers applicable to payroll costs and the value of tangible assets for each fiscal year.

2.18.2 TYPES, REPORTING AND PAYMENT OF THE TAX

The Top-Up Tax is determined according to the following three types:

- First, the **Domestic Top-Up Tax**, which is the result of applying the aforementioned rules to all Spanish constituent entities of the groups subject to Pillar 2 rules.
- Second, the **Primary Top-Up Tax**, which derives from the application of the so-called Income Inclusion Rule (IIR). This method shall be applied by the ultimate or intermediate parent entity of groups resident in Spain in respect of the income obtained by the constituent entities in which they own holdings and which are established in a jurisdiction other than Spain.

The tax, if any, calculated by this method shall represent the percentage holding of that parent in the qualifying gains of the constituent entities-investees. This method envisages rules for eliminating double taxation where such constituent entities-investees have been subject to a domestic top-up tax.

- c. Third, the **Secondary top-up tax**, which derives from applying the Undertaxed Profit Rule (UTPR) by constituent entities resident in Spain that belong to a multinational group whose income is not subject to a domestic top-up tax or a primary top-up tax in another jurisdiction.

All of the constituent entities established in Spain that form part of a group subject to the Top-Up Tax are obliged to file an information return. However, they shall be exempt from this obligation if the ultimate parent entity of the group resides in Spain or if the multinational group meets the obligation of filing an information return in another jurisdiction with which Spain has an exchange of information agreement (in this case, it will suffice to identify the entity that has completed the information return).

The filing deadlines differ during the transitional period and subsequent fiscal years:

- For the transitional period: the return must be filed before the last day of the 18th month following the end of the first tax period in which the Top-Up Tax applies. Therefore, for large groups subject to the tax since the very beginning whose tax period is the calendar year, the first filing deadline will be June 30, 2026.
- For subsequent fiscal years: the return must be filed before the last day of the 15th month following the end of the tax period.

In any case, the Secondary Top-Up Tax does not take effect in Spain in 2024 but rather on January 1, 2025, or even on January 1, 2026, when

the ultimate parent entity in question is subject to a tax on business income at a nominal rate of at least 20%. Thus, the filing deadlines for this tax are longer, considering these deferred entries into force.

Lastly, there is an exemption from the Top-Up Tax in the first 5 tax periods for both domestic groups and groups in the initial phase of their international activity (i.e., those whose constituent entities are not established in more than six different jurisdictions and where the sum of the net book values of the tangible assets of all the constituent entities of the multinational group located in jurisdictions different from the most relevant jurisdiction does not exceed €50 million).

2.19 TAX ON LIQUIDS FOR ELECTRONIC CIGARETTES AND OTHER TOBACCO-RELATED PRODUCTS

Starting on January 1, 2025, a new tax is introduced that applies to the manufacture, importation and introduction in national territory from other Member States of the European Union (EU) of liquids for electronic cigarettes, bags of nicotine and other nicotine products not covered by the tax on tobacco products and are not deemed medicine.

The calculation of the tax varies according to the product:

- For liquids for electronic cigarettes, the taxable amount is the volume in milliliters (ml), with a tax rate of 0.15 €/ml if the nicotine is ≤ 15 ml and 0.20 €/m if the nicotine is > 15 ml.
- For bags of nicotine, the taxable amount is the weight in grams, with a tax rate of 0.10 €/gram.
- For other nicotine products, the taxable amount is also the weight in grams, with a tax rate of 0.10 €/gram.

Exemptions are established for products that leave national territory with destination in the EU, which are used for scientific or quality analyses, or are sold in duty-free stores, among other cases. A refund of the tax can be requested if the products are destroyed under the supervision of the tax authorities, are returned to the factory for recycling or are sent to other EU Member States. Moreover, a procedure is established to regularize products in storage when the tax takes effect.

Lastly, also as of January 1, 2025, the rates of the tax on tobacco products are modified.

2.20 TEMPORARY TAXES INTRODUCED BY LAW 38/2022 OF DECEMBER 27

2.20.1 SOLIDARITY TAX ON LARGE FORTUNES (SOLIDARITY TAX)

This is a direct and personal tax, supplementary to wealth tax, which is charged on net assets over and above €3 million. Unlike wealth tax, it is a central government tax which cannot be devolved to the autonomous communities.

This tax will be applicable across the entire national territory. It was initially intended to remain in place throughout 2022 and 2023 but has eventually been extended indefinitely⁵⁶.

⁵⁶ Royal Decree-Law 8/2023 of December 27, adopting measure to combat the economic and social consequences of the conflicts in Ukraine and the Middle East and to mitigate the effects of the drought, was published on December 28, 2023. It approves an indefinite extension of the Solidarity Tax until such time as wealth tax has been revised within the framework of a reform of the autonomous community finance system

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However, the rules include a clause that envisages its review at the end of that period, to decide whether or not it should be extended.

The tax base, taxpayers and exemptions are to be determined in accordance with wealth tax rules. As in the case of wealth tax, there is a minimum exempt amount of €700,000 which is applicable to non-resident taxpayers⁵⁷.

The scale of tax rates applicable for the purposes of this tax is as follows:

NET TAXABLE INCOME (UP TO, IN €)	TAX PAYABLE (€)	REST OF NET TAXABLE INCOME (UP TO, IN €)	APPLICABLE RATE (%)
0.00	0.00	3,000,000	0.0
3,000,000	0.00	2,347,998.03	1.7
5,347,998.03	39,915.98	5,347,998.03	2.1
10,695,996.03	152,223.93	Thereafter	3.5

Once gross tax payable has been determined, a limit similar to that already existing for PIT payable and wealth tax payable is applicable, in such a way that when the sum of gross tax payable for PIT, wealth tax and the temporary Solidarity Tax on large fortunes exceeds 60% of taxable income for PIT purposes, the amount of Solidarity Tax payable is reduced down to that limit, although the reduction may not exceed 80% of the Solidarity Tax payable prior to its application. For the calculation of these figures, the law refers us in full to the rules set out in wealth tax legislation.

Moreover, once the above mentioned limit has been applied, the rules stipulate that the amount of wealth tax “effectively paid” is to be deducted from the resulting amount of tax payable. This means that the tax shall end up being paid only (or for the most part at least) in those autonomous communities in which there is a full allowance applicable for wealth tax purposes. This is what was intended by the legislature, its aim being, in addition to the collection of taxes, to make the taxation of assets between the different autonomous communities more equal.

During 2023, some autonomous communities that offered a reduction for Wealth Tax (in some cases of 100%) have modified their Wealth Tax rules in such a way that the Solidarity Tax (national) is obtained through Wealth Tax (autonomous community).

Finally, a representative (an individual or legal entity resident in Spain) must be appointed by the following persons:

- Persons not resident in Spain or in another Member State of the European Union (EU) or in a state of the European Economic Area (EEA) with legislation on mutual assistance in relation to the exchange of tax information and collection on the terms of the General Taxation Law.
- Persons resident in Spain who leave the country after the occurrence of the taxable event for a third state that does not belong to the EU or the EEA, with legislation in relation to the exchange of tax information, if they are going to return to Spain after the end of the filing period for the tax return.

This tax will accrue on December 31 of each year and is required to be self-assessed. Based on the date of its entry into force, returns were therefore required to be filed for the first time in 2023 based on assets held at December 31, 2022.

2.20.2 TEMPORARY CHARGE ON ENERGY AND TEMPORARY CHARGE FOR CREDIT INSTITUTIONS AND CREDIT FINANCIAL ESTABLISHMENTS

The charges described below, initially envisaged for 2023, will also be applicable in 2024 following their extension by means of Royal Decree-Law 8/2023 of December 27. This rule also envisages the introduction, through the General State Budget Law for 2024, which has not yet been approved, of an incentive applicable in the energy sector for strategic investments made as from January 1, 2024, and a review of the configuration of both charges.

a. Temporary charge on energy

This is payable by individuals or entities who are classed as a principal operator in energy sectors pursuant to the CNMC decisions dated December 10, 2020, December 16, 2021 and June 9, 2022, and those classed as principal operators for the purposes of the charge, who engage in Spain in activities relating to the production of crude oil or natural gas, coal mining or oil refining, where their net revenues for the year preceding the year in which the payment obligation for the charge arises derive in a portion of at least 75% from economic activities relating to extraction, mining, oil refining or the manufacture of coke products. Exemptions based on net revenues are envisaged.

The charge is calculated by multiplying net revenues from the activity carried on in Spain in the previous year by 1.2%. There are certain amounts corresponding to other taxes or regulated activities, as specified in the rules, which are excluded from net revenues.

⁵⁷ The aforementioned Royal Decree-Law 8/2023, of December 27, extends the benefits of the exemption to apply to nonresidents.



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Nonetheless, this tax has been repealed by Law 7/2024, of December 20, so it will not have effects for fiscal year 2025.

- b. Temporary charge for credit institutions and credit financial establishments

This charge is payable by credit institutions and credit financial establishments operating in Spain whose aggregate revenues from interest and fees corresponding to 2019 are equal to or higher than €800 million.

The amount payable is calculated by multiplying by 4.8% the sum of net interest income and revenues and expenses in respect of fees obtained from the activity carried on in Spain, as disclosed in the income statement for the calendar year preceding that in which the payment obligation arose.

- c. Common features:

- The payment obligation arises on January 1 each year. An advance payment in February each year equal to 50% of the corresponding amount is envisaged, based on an estimate of the annual amount to be made as of that date. The final assessment must be filed in September each year, deducting the advance payment made in February.
- The amount of these charges cannot be treated as a deductible expense for corporate income tax purposes.
- These charges cannot be passed on (directly or indirectly) to customers. Any breach of this restriction is classed as a very serious infringement, penalizable with a fine equal to 150% of the charge passed on.

- Special rules have been provided for groups which file returns in provincial (*foral*) territory and in common territory.

2.21 SPECIAL REGIME FOR START-UPS

Law 28/2022, of December 21, promoting the ecosystem for start-ups (also known as the Start-ups Law) regulates various tax incentives aimed at start-ups and their investors and workers, plus a variety of other measures unrelated to start-ups. A start-up is understood to be a newly created company or one which has been registered at the commercial registry for no more than 5 years (7 years for biotech, energy or industrial companies or companies in other strategic sectors or any which have developed their own technology, designed entirely in Spain).

Such companies must not have come about as the result of a restructuring transaction, must not distribute dividends, and must not be listed on a regulated market. Furthermore, they must have their company headquarters, registered office or a permanent establishment in Spain, and 60% of their workforce must have an employment contract in Spain and be engaged in an innovative entrepreneurship project.

The tax benefits envisaged for entities of these characteristics are as follows:

- a. In relation to corporate income tax and nonresident income tax: they are taxable at a rate of 15% for the first tax period in which they obtain taxable income and the following three periods (provided they continue to be classed as start-ups).

They may apply for deferral (12 months in the first year and 6 months in the second) of the tax debt, in the first two periods

in which they obtain taxable income, provided they are up-to-date in compliance with their tax obligations and their self-assessment is filed within the voluntary filing period.

They do not have to make prepayments in the first two periods in which they obtain taxable income.

- b. The incentives relating to the taxation for personal income tax purposes of employees and investors are as follows:

- Stock options: shares or holdings in start-ups awarded to workers must be recognized at the value attributed to the shares or holdings in the most recent capital increase (subscribed by an independent third party) carried out in the year preceding that in which they are delivered (if no such capital increase has taken place, they must be recognized at market value).

There is an annual exemption of €50,000 for salary income obtained corresponding to deliveries of shares or holdings to active workers, provided that the delivery is made for no consideration or at a price which is below the market price. It is not necessary for the same terms and conditions to be applied to all the workers at the company, although such arrangements must form part of its general compensation policy.

Any income above the exempt amount can be deferred until future years in certain circumstances which are stipulated in the rules.

- Tax credits for investment in newly or recently created companies: the tax credit is equal to 50% of amounts paid in the period for the subscription of shares or holdings in newly or recently created companies, subject to a maximum tax credit base limit of €100,000 per annum.

The period for subscribing the shares or holdings is increased, generally, from 3 to 5 years, as from the company's formation, and may be as long as 7 years for certain categories of start-ups.

Their founding shareholders are eligible for this tax credit regardless of their percentage ownership interest in the company.

- More flexible rules for persons assigned to Spain (see [section 2.3.3.](#), in which a description is provided of the regime resulting from this flexibilization.)

As has been mentioned in previous sections, the sixth final provision of the Start-ups Law modifies additional provision no. eleven of Law 22/2015 of July 20 on the Auditing of Accounts and introduces new reporting obligations in relation to Corporate Income Tax applicable to businesses and groups with net revenues of over €750 million, in order to comply with the rules set out in Directive 2021/2101/EU of November 24.

2.22 SPECIAL REGIMES OF CERTAIN AUTONOMOUS COMMUNITIES

2.22.1 CANARY ISLANDS TAX REGIME (REF)

The Canary Islands enjoy tax benefits intended to compensate for the disadvantages brought about by insularity and distance from the Spanish mainland and the main goal of which is to attract investments to the Canary Islands. The set of such benefits is known as REF, from the Spanish acronym.

The REF was renewed for the period 2014 to 2020 through the approval of Royal Decree-Law 15/2014, of December 19, which

included some improvements in relation to the former regime **which mainly affect the regulation of the Canary Islands Investment Reserve (RIC) and the Canary Islands Special Zone (ZEC).**

Royal Decree-Law 34/2020, of November 17, modified the time references contained in Law 19/1994, of July 6, amending the REF, affected by the extension of the Assistance Guidelines for regional purposes for 2014-2020, such references have been changed to December 31, 2021.

Furthermore, through Royal Decree-Law 39/2020, of December 29, the investment period for the 2016 RIC was extended for an additional year.

Accordingly, it became unnecessary to adjust the allowances corresponding to the years initiated in 2016 for which investment had not been made at December 31, 2020.

Likewise, subarticle 11 of the aforementioned article 27 of Law 19/1994, of July 6, was amended on a transitional basis, whereby the period referred to in the first paragraph will be 4 years for advance investments made in 2017.

Subsequently, and following Spain's notification to the European Commission of its Regional Aid Map for 2022-2027, several timing references contained in Law 19/1994, of July 6, amending the Canary Islands Economic and Tax Regime (REF), were modified through Royal Decree-Law 31/2021 of December 28:

- On the one hand, the regime applicable to advance investments of future appropriations to the RIC was modified, allowing such investments to be applied to appropriations made which are charged to profits obtained up to December 31, 2023 (formerly December 31, 2021).

- On the other hand, the authorization of entries in the Official Register of ZEC Entities up until December 31, 2023 (formerly December 31, 2021) was permitted.

In addition, on March 17, 2022, the European Commission approved the regional aid map (the framework for the REF tax incentives). The effectiveness of the aforementioned amendments was initially conditional on the obtaining of such authorization.

However, changes were made to the Canary Islands Economic and Tax Regime through Royal Decree-Law 8/2023 of December 27, adopting measure to combat the economic and social consequences of the conflicts in Ukraine and the Middle East, and to mitigate the effects of the drought. Specifically, the timing references referred to above were eliminated:

- The time limit that prevented advance investments considered to be applications of the Reserve for Investments in the Canary Islands from being effected against appropriations made after 2023 was eliminated, with effect as from January 1, 2024. It will therefore be possible to make these investments using the appropriation corresponding to the actual year in which the investment is made and the following 3 years, without any additional limit being applicable.
- The timing references in the rule in relation to the validity of the Canary Islands Special Zone (ZEC) have also been eliminated (until now, the ZEC was valid through to 2027 and the authorization of new entities was necessary up until 2023).

As these timing provisions derive from and are linked to Commission Regulation (EU) 651/2014 of June 17, 2014 (known as the General Block Exemption Regulation), they have been replaced by direct references to the corresponding Europe Union rules and those



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derived from the European Commission documents by which such rules are supported from a legal angle, in order to eliminate the obligation to undertake periodic reviews of the domestic rule. Accordingly, new ZEC entities may continue to be authorized beyond January 1, 2024.

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Finally, its terminology is brought into line with the procedure currently established for this type of State aid which does not require prior authorization by the European Commission.

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The REF incentives are basically as follows.

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2.22.1.1 DIRECT TAXATION

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- Reduction of 50% of the portion of gross tax payable that relates to income from the sale of tangible goods specific to agricultural, livestock farming, industrial or fishing activities, provided that they have been produced by the taxpayer itself in the archipelago.

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- Tax credit for investment in fixed assets consisting of 25% of the investment up to a limit of 70% of tax payable net of tax reductions and double taxation credits.

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- The tax credits rates for investments made in the Canary Islands are higher than those applicable to investments in the Spanish mainland.

AIII

- Reduction of the taxable amount (by up to 90% of undistributed income per books for the year) by amounts recorded to the RIC. This reserve must be invested within a period of up to 3 years, and can be invested in certain investments (to create or expand establishments, create jobs, acquire certain assets, including the subscription of shares or

other securities, investments contributing to the improvement and protection of the environment), these investments must be related (according to the requirements which are expressly regulated) with activities or entities/establishments in the Canary Islands, and they must be maintained for 5 years.

- Specific tax credits for entities domiciled in the Canary Islands (with an average workforce of 50 employees and revenues below €10 million):

i. Tax credit for investments in territories of western Africa (Morocco, Mauritania, Senegal, Gambia, Guinea-Bissau and Cape Verde).

This tax credit is 15% of the amounts invested in setting up subsidiaries or permanent establishments, with an increase in average workforce in the Canary Islands. In the case of subsidiaries, they must be owned by companies with registered office in the Canary Islands.

ii. Tax credit of 15% of expenses for advertising and publicity, product launches, opening and researching markets abroad and attending trade fairs and the like.

- Increase from 32% to 45% in the tax credit for technological innovation through activities carried on in the Canary Islands.

• ZEC.

Canary Islands legislation also regulates the special tax regime of the ZEC, authorized in January 2000 by the European Commission, due to considering its application compatible with the provisions regulating the Single Market. The renewal of this tax incentive was included in the negotiation process on the Directives 2007-2013, establishing that the ZEC would remain in force until December

31, 2019 for authorizations granted up to December 31, 2013, although with minor modifications. The application of this special regime was subsequently extended until 2026, and the period for requesting authorization was extended to December 31, 2023. The timing references have nevertheless been eliminated from the rule with effect as from January 1, 2024.

The regime is applicable to newly formed entities and branches domiciled in the Canary Islands that are registered on the Official Register of Entities in the ZEC. Registered entities and branches must meet certain requirements, such as (i) having their registered office and place of effective management in the Canary Islands (although permanent establishments may be used to perform their activities both within and outside the Canary Islands, which must first be communicated to the Governing Council of the ZEC), (ii) having at least one director residing in the Canary Islands, (iii) having as their corporate purposes the performance of the economic activities expressly established in the law (financial activities being excluded in all cases), or (iv) creating a minimum number of jobs within the first 6 months following authorization, and keeping an annual average headcount of at least that number throughout the period in which the regime applies.

The regime also requires (v) making a minimum amount of investments in the first years, through the acquisition of tangible or intangible assets located or received in the geographical area of the ZEC and which are used and necessary to perform the activities carried out in that area, and (vi) filing with the authorities a descriptive report on the activities to be carried out which supports their feasibility, international competitiveness and their contribution to the economic and social development of the islands, the content of which will be binding for the entity.

Pursuant to the tax regime, the income obtained by the ZEC entities is subject to CIT at a single special tax rate of 4%. This reduced tax



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rate only applies up to a certain amount of tax base, depending on the activity carried out and the jobs created. Moreover:

- Since January 1, 2015, it is possible to take the tax credit for domestic double taxation on the dividends relating to holdings in ZEC entities coming from income that has been taxed at the reduced rate of 4%, and on the income obtained on the transfer of ZEC entities.
- The interest, capital gains and dividends obtained by nonresidents with holdings in ZEC entities are exempt from nonresident income tax in Spain on the same conditions as for residents in the EU and the EEA, where that income is paid by a ZEC entity and comes from transactions physically and effectively carried out in the geographical scope of the ZEC. These exemptions will not apply where the income and capital gains are obtained through countries or territories classed by regulations as tax havens, or where the parent has its tax residence in those territories.

The ZEC entities enjoy an exemption from transfer and stamp tax in relation to the acquisitions of assets and rights to be used by the taxpayer to perform its activity, provided they are located, can be exercised or must be met in the geographical scope of the ZEC.

Moreover, the supplies of goods and services carried out between ZEC entities, and imports of goods made by ZEC entities are exempt from Canary Islands general indirect tax.

- **Incentive for Cinematographic Activities in the Canary Islands**

Two tax credits are established for Cinematographic Activities in the Canary Islands:

- **Tax credit for Spanish cinematographic productions and audiovisual series:** a tax credit may be taken on the total costs of the production. That tax credit is 54% on the €1 million, and 45% to any excess over that amount, provided that certain requirements are met. The total tax credit may not exceed €36 million. In the case of audiovisual series specifically, this limit is to be determined by episode, and may not exceed €18 million per episode produced.
- **Tax credit for expenses incurred in Spain for foreign productions of feature films or audiovisual works:** a tax credit may be taken of 54% on the €1 million, and of 45% of any excess above that threshold, provided certain requirements are met. The tax credit is capped at €36 million. In the case of audiovisual series specifically, this limit is to be determined by episode, and may not exceed €18 million per episode produced.

- **Control of incentives and limits on the accumulation of aid derived from the application of EU Law**

As stated previously, the REF incentives are State aid. That aid is therefore subject to control measures, in accordance with the REF Regulations, and are grouped as follows pursuant to Community legislation:

- Regional aid for business operations.
- Regional aid to investment.
- Aid for small and medium-size enterprises.
- Aid for audiovisual works.

Moreover:

- It is established that the aid obtained by the beneficiaries of the REC shall be included in an informational return (form 282).
- Rules are established for computing the aid to determine the accumulation thereof, and limits on that accumulation are specified.
- The procedure is established for recovery of excess aid if those limits are exceeded.
- Lastly, the authority to monitor and control that accumulation of aid, no matter what kind of aid it is, pertains to the State Tax Agency, without prejudice to the authority attributed to other bodies of the public administration, in particular to the Central Government Controller's Office.

2.22.1.2 INDIRECT TAXATION

For indirect tax purposes, rather than VAT, the Canary Islands General Indirect Tax (IGIC), which is similar to VAT, applies at the standard rate of 7% since January 1, 2020 (after the reduction to 6.5% in 2019). In addition, since fiscal year 2020, the increased tax rate was raised from 13.5% to 15%.

The tax on imports and supplies of goods in the Canary Islands (AIEM) also applies to the production and import in the Canary Islands of certain tangible goods.

Lastly, there are certain incentives in indirect taxation: for example, in transfer tax under the “transfers for a consideration” heading, an exemption applies to acquisitions of capital goods



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and of intangible assets (for 50% of the investment, except in the case of small and medium-size enterprises) which fall within the definition of initial investment mentioned previously according to the regulations established in the RIC, where certain requirements are met (article 25 of Law 19/1994, of July 6).

2.22.2 SPECIAL REGIME APPLICABLE IN THE BASQUE COUNTRY

The Economic Accord with the Autonomous Community Government of the Basque Country recognizes the power of the institutions of the provinces of the Basque Country (Álava, Guipúzcoa and Vizcaya) to regulate taxes. In general, they have full or shared regulatory authority in the area of direct taxation, but far more limited authority in the indirect taxation area.

The institutions of the provinces of the Basque Country also have the power to levy, manage, assess, inspect, review and collect taxes, except with respect to import duties and excise taxes on imports.

The Economic Accord regulates the applicable connecting factors in order to determine which body of laws, namely, those pertaining to Spain (excluding the Basque Country and Navarra) or those pertaining to the provinces of the Basque Country and to Navarra, apply to taxpayers and the powers to collect and inspect each tax, with revenue-raising power being shared in some cases between various tax authorities.

The specific characteristics of the main taxes of each of the Historical Territories are contained in the following legislation.

- Corporate Income Tax:
 - Álava: Provincial Corporate Income Tax Law 37/2013, of December 13, Provincial Law 20/2014, of June 18, making technical corrections in certain provincial tax laws of the Historical Territory of Álava, and Provincial Law 15/2015, of October 28, amending various tax provisions of the Historical Territory of Álava.
 - Guipúzcoa: Provincial Corporate Income Tax Law 2/2014, of January 17, of the Historical Territory of Guipúzcoa, and Provincial Law 7/2015, of December 23, approving certain tax amendments.
 - Vizcaya: Provincial Corporate Income Tax Law 11/2013, of December 5, and Provincial Law 3/2014, of June 11, making technical corrections in certain provincial tax laws of the Historical Territory of Vizcaya.
- PIT:
 - Álava: Provincial Personal Income Tax Law 33/2013, of November 27, Provincial Law 20/2014, of June 18, making technical corrections in certain provincial tax laws of the Historical Territory of Álava, and Provincial Law 15/2015, of October 28, amending various tax provisions of the Historical Territory of Álava.
 - Guipúzcoa: Provincial Personal Income Tax Law 3/2014, of January 17, and Provincial Law 7/2015, of December 23, approving certain tax amendments.
 - Vizcaya: Provincial Personal Income Tax Law 13/2013, of December 5, and Provincial Law 3/2014, of June 11, making technical corrections in certain provincial tax laws of the Historical Territory of Vizcaya.
- Inheritance and gift tax
 - Álava: Provincial Inheritance and Gift Tax Law 11/2005, of May 16, and Provincial Law 20/2014, of June 18, making technical corrections in certain provincial tax laws of the Historical Territory of Álava.
 - Guipúzcoa: Provincial Inheritance and Gift Tax Law 2/2022 of March 10 and Provincial Decree 1/2023 of January 17 approving the Inheritance and Gift Tax Regulations.
 - Vizcaya: Provincial Inheritance and Gift Tax Law 4/2015, of March 25.
- Wealth Tax:
 - Álava: Provincial Wealth Tax Law 9/2013, of March 11.
 - Guipúzcoa: Provincial Law 2/2018, of June 11, of Tax on Wealth.
 - Vizcaya: Provincial Wealth Tax Law 2/2013, of February 27, 2013.
 - Wealth tax has been reinstated in the three Historical Territories only for fiscal years 2011 and 2012.
- Minimum Top-Up Tax (Pillar 2)
 - Álava: Legislative Decree 3/2024 on Urgent Tax Measures, of the Provincial Government Council, of December 27.



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- Guipúzcoa: Provincial Decree-Law 2/2024, of December 27.
- Vizcaya: Provincial Law 4/2024, of December 27.

2.22.3 SPECIAL REGIME APPLICABLE IN NAVARRA

Financial and tax dealings between Central Government and the Provincial Government of Navarra are governed by the Economic Agreement, with terms and conditions and powers similar to those under the Economic Accord. In this case, as in the case of the special regime in the Basque Country, the features of each tax are contained in their specific legislation:

- Corporate income tax: Provincial Corporate Income Tax Law 26/2016, of December 28.
- Personal income tax: Revised Provincial Personal Income Tax Law (Legislative Provincial Decree 4/2008, of June 2).
- Inheritance and gift tax: Revised provisions of the tax (Legislative Provincial Decree 250/2002, of December 16).
- Wealth Tax: Provincial Wealth Tax Law 13/1992, of November 19.

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EXHIBIT V. Nonresident case study: income obtained without a permanent establishment

EXHIBIT VI. VAT case study

3. Local taxes

The Revised Local Finances Law approved by Legislative Royal Decree 2/2004, of March 5, establishes a scheme aimed at rationalizing the local taxation system and facilitating the activity of local entities. Under this legislation, local authorities are empowered to modify some aspects of this type of taxes. This Law establishes two different types of municipal taxes, which can be classified as follows:

- Periodic taxes, among them:
 - Tax on real estate (*Impuesto sobre Bienes Inmuebles*).
 - Tax on business activity (*Impuesto sobre Actividades Económicas*).
- Other taxes:
 - Tax on erection and installation projects and construction works (*Impuesto sobre Construcciones, Instalaciones y Obras*).
 - Tax on increase in urban land value (*Impuesto sobre el incremento del valor de los terrenos de naturaleza urbana*).

3.1 PERIODIC TAXES

3.1.1 TAX ON REAL ESTATE

This tax is levied annually on owners of real estate or on holders of rights *in rem* over real estate based on the cadastral value determined pursuant to the Property Cadaster regulations, at different rates up to a maximum of 1.30% for urban property and 1.22% for rural property.

3.1.2 TAX ON BUSINESS ACTIVITY

This tax is levied annually on any business activity conducted within the territory of the municipality.

However, the following taxpayers are exempted from this tax:

- Individuals.
- Taxpayers who start a business activity within Spanish territory, during the two first tax periods in which they carry on the activity.
- Taxpayers subject to CIT and entities without legal personality whose net sales (at group level according to article 42 of the Commercial Code) in the previous year were under €1 million.
- In the case of taxpayers subject to nonresident income tax, the exemption will only apply to those operating in Spain through a permanent establishment, provided that they obtained net sales of under €1 million in the previous year.

The tax payable is calculated on the basis of various factors (type of activity, area of premises, net revenues, etc.). The minimum tax rates published by the Government can be adapted by the municipal authorities.

3.2 OTHER TAXES

3.2.1 TAX ON ERECTION AND INSTALLATION PROJECTS AND CONSTRUCTION WORK

This tax is levied on the actual cost of any work or construction activity that requires prior municipal permission, excluding VAT and any similar taxes.



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The tax rate will be set by each municipal council up to a top rate of 4%, and the tax falls due at the start of the project regardless of whether the permit has been obtained.

3.2.2 TAX ON INCREASE IN URBAN LAND VALUE

This tax is levied on the increase disclosed in the value of urban land whenever land is transferred.

- Taxpayer: in transfers for consideration, the transferor, and in donations, the transferee.
- Tax rate: the rate set by each municipal council and capped at 30%.
- Tax base⁵⁸: the increase in the value of the land. The tax base is determined by reference to the value of the land when the tax falls due, which in the transfer of land will be the value that has been determined for the purposes of property tax. Certain annual percentages will be applied to this value based on the ownership period, which will be determined by each municipal council, and may not be higher than certain limits. In any case, if the taxpayer proves that the amount of the value increase is lower than the tax base determined as stated above, the amount of that value increase shall be taken as the tax base.

This tax is deductible for personal income tax purposes from the transfer value of real estate.

⁵⁸ The rules for determining the tax base were amended by Royal Decree-Law 26/2021, of November 8, for the taxable events accruing after November 9, 2021, as a result of the Constitutional Court judgment 59/2017, of May 11, 2017, whereby the Constitutional Court declared the previous legislative regulation unconstitutional. In any case, that Royal Decree-Law has been contested and is currently the subject-matter of an appeal for a ruling of unconstitutionality.

EXHIBIT I

Corporate income tax incentives for investment



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EXHIBIT I. CORPORATE INCOME TAX INCENTIVES FOR INVESTMENT

Tax incentives applicable to the tax base

- Accelerated depreciation/amortization. ([See section 2.1.2.7 of this chapter for more detailed information](#))
- Unrestricted depreciation/amortization. ([See section 2.1.2.7 of this chapter for more detailed information](#))
- Special regime applicable to finance lease agreements. ([See section 2.1.2.7 of this chapter for more detailed information](#))
- Partial exemption for income derived from the licensing of certain intangible assets (Patent box). ([See section 2.1.2.12 of this chapter for more detailed information](#))

Tax credits applicable to tax payable

- Tax credit for job creation for disabled workers. ([See section 2.1.4.1 of this chapter for more detailed information](#))
- Tax credit for job creation. ([See section 2.1.4.1 of this chapter for more detailed information](#))
- Tax credits for investment. ([See section 2.1.4.1 of this chapter for more detailed information](#)):
 - Tax credit for investment in R&D&i.
 - Other tax credits for investments made in Spanish film or audiovisual productions, investment of profits for enterprises of a reduced size.

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Tax treaty rates⁵⁹

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RECIPIENT COMPANY'S COUNTRY OF RESIDENCE	TYPE OF INCOME		
	DIVIDENDS (%)	INTEREST (%)	ROYALTIES (%)
Albania	10, 75, 5 or 0	0 or 6	0
Germany	15, 10 or 5	0	0
Andorra	15, 10 or 5	5	5
Saudi Arabia	5, 25 or 0	0 or 5	8
Argelia	15, 10 or 5	0 or 5	7 or 14
Argentina ⁶⁰	15, 25 or 10	0 or 12	3, 5, 10 or 15
Armenia	10, 25 or 0	5	5 or 10
Australia	15	10	10
Austria	15, 50 or 10	5	5
Azerbaijan	10, 25 or 5	0 or 8	5 or 10
Barbados	5, 25 or 0	0	0
Belgium	15, 25 or 0	0 or 10	5
Belarus	5 or 10	0 or 5	5
Bolivia	15, 25 or 10	0 or 15	15 or 0
Bosnia Herzegovina	10, 20 or 5	0 or 7	7
Brasil	15	10 or 15	10 or 15
Bulgaria	15, 25 or 5	0	0

RECIPIENT COMPANY'S COUNTRY OF RESIDENCE	TYPE OF INCOME		
	DIVIDENDS (%)	INTEREST (%)	ROYALTIES (%)
Cabo Verde	10, 25 or 0	0 or 5	5
Canadá	0, 5, 10 or 15	15, 10 or 0	0 or 10
Catar	0, 1, 5 or 10	0	0
Chile	10, 20 or 5	5 or 15	5 or 10
Chipre ⁶¹	5, 10, or 0	0	0
China	10, 0, 25 or 5	10 or 0	10
China (Hong Kong)	10, 25 or 0	0 or 5	5
Colombia	5, 20 or 0	10	10
Corea del Sur	15, 25 or 10	10	10
Costa Rica	12, 20 or 5	0, 5 or 10	10
Croacia	15, 25 or 0	0 or 8	0 or 8
Cuba	15, 25 or 5	10	0 or 5
Ecuador	15	5 or 10	5 or 10
Egipto	12, 25 or 9	10	12
El Salvador	12, 50 or 0	0 or 10	10
Emiratos Árabes Unidos	15, 10 or 5	0	0

CONTINUE ON THE NEXT PAGE >

⁵⁹ The tax rates established in each treaty are indicated. The applicability of one or another depends, in each case, on the specific requirements established in the relevant treaty. Also to be considered are the provisions of the Multilateral Instrument, where it is applicable. Further information is available at: [Convenios de Doble Imposición \(02-10-2024\): Ministerio de Hacienda](#)

⁶⁰ The previous tax treaty between Spain and Argentina which took effect on July 28, 1994, was unilaterally denounced by Argentina and ceased to have effect as from January 1, 2013. However, the new tax treaty, signed on March 11, 2013, establishes its effects as from January 1, 2013 (so for practical purposes, there has been no period without a treaty).

⁶¹ Published on May 26, 2014, with entry into force on May 28, 2014.

Tax System

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RECIPIENT COMPANY'S COUNTRY OF RESIDENCE	TYPE OF INCOME		
	DIVIDENDS (%)	INTEREST (%)	ROYALTIES (%)
Slovakia	15, 25 or 5	0	0 or 5
Slovenia	15, 25 or 5	5	5
United States	0, 5, 10, 15 or 80	0 or 10	0
Estonia	15, 25 or 5	0 or 10	5 or 10
Philippines	15 or 10	10 or 15	10, 15 or 20
Finland	0, 5, 10 or 15	0	0
France	15, 10 or 0	10	0 or 5
Georgia	0 or 10	0	0
Greece	10, 25 or 5	0 or 8	6
Hungary	15, 25 or 5	0	0
India	15	15	10 or 20
Indonesia	15, 25 or 10	10	10
Iran	10, 20 or 5	7,5	5
Ireland	15, 25 or 0	0	5, 8 or 10
Iceland	15, 25, or 5	5	5
Israel	10	5 or 10	5 or 7
Italy	15	12	4 or 8
Jamaica	10, 25 or 5	0 or 10	10
Japan	0, 5 or 10	0 or 10	0
Kazakhstan	15, 10 or 5	0 or 10	10
Kyrgyzstan	18	0	0 or 5
Kuwait	5, 10 or 0	0	5

RECIPIENT COMPANY'S COUNTRY OF RESIDENCE	TYPE OF INCOME		
	DIVIDENDS (%)	INTEREST (%)	ROYALTIES (%)
Latvia	10, 25 or 5	0 or 10	5 or 10
Lithuania	15, 25 or 5	0 or 10	5 or 10
Luxembourg	15, 25 or 10	10	10
North Macedonia	15, 10 or 5	5	5
Malaysia	5 or 0	0 or 10	5 or 7
Malta	5, 25 or 0	0	0
Morocco	15, 25 or 10	10	5 or 10
Mexico	10 or 0	4,9 or 10	0 or 10
Moldavia	10, 25, 50, 5 or 0	0 or 5	8
Nigeria	10 or 7,5	7,5	3,75 or 7,5
Norway	15, 25 or 10	0 or 10	5
New Zealand	15	10	10
Netherlands	15, 25, 50, 10 or 5	10	6
Pakistan	10, 25, 50, 7,5 or 5	0 or 10	7,5
Panama	10, 40, 80, 5 or 10	0 or 5	5
Poland	15, 25 or 5	0	0 or 10
Portugal	15, 25 or 10	15	5
United Kingdom	10, 15 or 0	0	0
Czech Republic	15, 25 or 5	0	5 or 0
Dominican Republic	10, 75 or 0	0 or 10	10

RECIPIENT COMPANY'S COUNTRY OF RESIDENCE	TYPE OF INCOME		
	DIVIDENDS (%)	INTEREST (%)	ROYALTIES (%)
Rumania	0, 5 or 10	0 or 3	3
Russia	5, 10 or 15	5	5
Senegal	10	0 or 10	10
Serbia	10, 25 or 5	0 or 10	5 or 10
Singapore	5, 10 or 0	0 or 5	5
South Africa	15, 25 or 5	0 or 5	5
Sweden	15, 50 or 10	15	10
Switzerland	15, 25, 10 or 0	10 or 0	5 or 0
Sultanate of Oman	10, 20 or 0	5	8
Thailand	10 or 0	10 or 15	5, 8 or 15
Tajikistan	18	0	0 or 5
Trinidad and Tobago	10, 25, 50, 5 or 0	0 or 8	5
Tunisia	15, 50 or 5	5 or 10	10
Turkey	15, 25 or 5	10 or 15	10
Ukraine	5 or 15	5	5
Uruguay	5, 75 or 0	0 or 10	5 or 10
Uzbekistan	10, 25 or 5	5	5
Venezuela	10, 25 or 0	0, 4,95 or 10	5
Vietnam	15, 25, 50, 10 or 7	10	10

EXHIBIT III Practical examples



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EXHIBIT V. Nonresident case study: income obtained without a permanent establishment

EXHIBIT VI. VAT case study

A Limited Liability Company tax resident in Spain (Teleco, S.L.), with net revenues of €35 million, is engaged in the supply of telecommunications services. According to the 2025 financial statements, the company obtained a profit per books of €7,225 million. The company has recorded in its accounts the following transactions which may give rise to the need to make the relevant tax adjustments to the income per books:

- Teleco, S.L. has its offices in a rented building, and pays to the owner of that building an annual amount in this respect of €200,000. In addition, the company owns a building, which has been rented to a third party. The rental income obtained by Teleco, S.L. amounted to €100,000, and the withholding taxes borne by it amounted to €20,000.
- The company has recorded a CIT expense amounting to €2,167,500.
- The company recorded a provision for impairment losses in relation to foreseeable bad debts amounting to €170,000. Of that amount, €125,000 relate to accounts receivable less than 6 months past-due on the date on which the CIT relating to that year fell due.
- Teleco, S.L. purchased certain software on July 1 of the previous year, for €600,000. This tax period it recorded an amortization expense for that software amounting to €300,000.
- In the previous tax period the company recorded a provision for impairment losses in relation to foreseeable bad debts amounting to €350,000, relating to accounts receivable 2 months past-due at the date on which the CIT relating to that year accrued.

- The company recorded a provision for other expenses (provision for incentives to be paid after 3 years) in the amount of €225,000 to cover the expense to be incurred in relation to the bonus payable to employees.
- In 2013 and 2014, it made adjustments in relation to the limit on the deductibility of amortization, for the amount of €20,000, which it has been reversing over 10 years.
- The company purchased some computers on October 1, 2017 amounting to €60,000. In this tax period it recorded a depreciation expenses totaling €20,000 in relation to those computers.
- The company incurred expenses on scientific R&D in the amount of €620,000 during the year. The average expenses incurred in the previous 2 years amounted to €120,000.
- The company purchased shares in certain companies. In this connection, the company obtained dividends in a gross amount of €105,000, and bore withholding taxes in the amount of €21,000. Such shares were acquired by February 15 and transferred by the end of March.
- According to the information furnished by the company, tax installment payments were made during the tax period in the amount of €2,400 million.

Tax System

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2025 CORPORATE INCOME TAX CALCULATION	
Income for the year	7,225,000
POSITIVE ADJUSTMENTS	
Corporate income tax expense 2024	2,167,500 ⁶²
Provision for impairment losses on receivables	125,000 ⁶³
Excess amortization of software	102,000 ⁶⁴
Excess depreciation of computers	5,000 ⁶⁵
Provision for incentives	225,000 ⁶⁶
NEGATIVE ADJUSTMENTS	
Provision for impairment losses on receivables recorded in the previous tax year	<350,000> ⁶⁷
Tax base	9,499,500
Tax rate	25%
Gross tax payable	2,374,875

2025 CORPORATE INCOME TAX CALCULATION	
DEDUCTIONS	
Investments in R&D	<240,000> ⁶⁸
Net tax payable	1,424,925
Minimum net tax payable⁶⁹	1,424,625
Withholdings and prepayments	
Withholdings on dividends	<21,000>
Withholdings on rental income	<20,000>
Tax installments payments	<2,400,000>
Net amount refundable	<306,125>

⁶² As stated previously, the CIT expense is nondeductible.

⁶³ As this amount is less than 6 months old on the date when the tax falls due, it is deemed a nondeductible expense.

⁶⁴ The maximum depreciation of software is €198,000 per year (33% of the acquisition cost). Consequently, as the depreciation for accounting purposes is higher than for tax purposes, a positive adjustment must be made for the difference (€102,000).

⁶⁵ The maximum depreciation of data processing equipment is €15,000 per year (25% of the acquisition cost). Consequently, as the depreciation for accounting purposes is higher than for tax purposes, a positive adjustment must be made for the difference (€5,000).

⁶⁶ The provision for long-term incentives for personnel who will presumably leave the company is a nondeductible expense.

⁶⁷ This expense becomes deductible once it is more than 6 months old.

⁶⁸ As the R&D expense of the year is higher than the average incurred in the last 2 years, the deduction rate applicable is 42%, the deduction totaling €240,000 (120,000 x 25% + 500,000 x 42%). It is necessary to verify that this deduction does not exceed 25% of the gross tax payable reduced by domestic and international double taxation tax credits and reductions. However, this limit goes up to 50% when the amount of the R&D tax credit, relating to expenses and investments made in the same tax period, exceeds 10% of the gross tax payable, reduced by domestic and international double taxation tax credits and reductions. In this case, the limit is €1,434,510 (the limit is 50% because the R&D expenses of the year exceed 10% of the gross tax payable), and thus the tax credit can be taken in full.

⁶⁹ Effective for tax periods starting on or after January 1, 2022, the net tax payable cannot be less than the minimum net tax, that is, 15% of the tax base, reduced or increased by the amounts derived from the levelling reserve and/or reduced by the Canary Island investment reserve, as appropriate.

EXHIBIT IV

Case of application of the regime for foreign-securities holding companies (ETVE) the shareholders of which are not resident in Spain



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The entity, Teleco, S.A. resident in Spain, owns 50% of an entity resident in the US. In turn, Teleco, S.A. is owned by an entity resident in Argentina.

In fiscal year 2025, Teleco, S.A., has received exempt dividends from its US subsidiary.

Moreover, in that year, Teleco, S.A. distributes dividends to its Argentinean shareholder in the amount of €1,500 million. The taxation in Spain of these dividends will depend on whether or not the Spanish entity has elected to apply the ETVE regime.

a. Teleco, S.A. has elected to apply the ETVE regime

The dividends distributed by the ETVE to its Argentinean shareholder will not be subject to taxation in Spain, in application of the ETVE regime.

b. Teleco, S.A. has not elected to apply the ETVE regime

The dividends distributed to the Argentinean shareholder will be subject to taxation in Spain, with the limit established in the Spain-Argentina tax treaty.

In this regard, the tax treaty establishes that the taxation of dividends cannot exceed:

- 10% of the gross dividends if the beneficial owner is a company that directly owns 25% of the capital of the investee that pays the dividends.
- 15% of the gross dividends in the rest of cases.

In our case, as the Argentinean entity owns 100% of Teleco, S.A., the withholding applied will be limited to 10% of the dividends, i.e., the withholdings will amount to €150,000.

TAXATION IN SPAIN OF THE DIVIDENDS DISTRIBUTED BY TELECO, S.A. TO ITS SHAREHOLDER RESIDENT IN ARGENTINA

Teleco, S.A. is an ETVE	€0
Teleco, S.A. is not an ETVE	€150,000

EXHIBIT V

Nonresident case study: income obtained without a permanent establishment



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The Dutch company TPC, B.V. posted one of its employees to Spain in September 2025. This employee worked in the Netherlands until August of the same year. The employee's salary corresponding to the September-December period amounts to €12,000, and is paid by the Spanish branch. The employee continues making contributions to the Dutch Social Security System, amounting to €800 for those 4 months.

In addition, the employee opened a bank account in Spain and he received interest amounting to €100 and bore a withholding tax of €21 on said interest.

In 2025, he buys and sells shares of a Spanish company and obtains a capital gain of €100. On another transaction of the same type with shares in another Spanish company, he obtains a capital loss of €20. He also transfers shares of a Dutch company and obtains a capital gain of €50.

The employee will be considered as a nonresident in Spain for tax purposes in 2025, as he was not physically present in Spain for more than 183 days and his center of economic interest was not located in Spain this year.

The employee will be taxed separately on each item of income obtained and the tax will accrue when the income falls due or on the date of actual payment if it is sooner.

1. Salary income: the Spanish branch pays his salary and, therefore, it must pay each month (or every 3 months if its volume of operations in the previous year was less than €6,010,121) withholdings on the gross salary paid, without deducting any expenses. As a result, in this case, the branch would have to pay, in total and in the periods mentioned, to the tax authorities 24% of the gross salary paid to the employee, which amounts to €2,880.

2. Interest on the bank account: as a nonresident, the employee could claim a refund of the €21 withheld by the Bank, as the interest obtained from nonresidents' bank accounts is exempt from tax.
3. Shares: Only the sale of Spanish shares is subject to taxation. Additionally, gains and losses cannot be offset against each other.

Therefore, the capital gain obtained from the sale of the first shares would be taxable at the rate of 21%.

However, according to the Tax Treaty between Spain and the Netherlands, that capital gain can only be taxed in the Netherlands, as the country of residence of the employee, and as a result, it will be exempt in Spain.

EXHIBIT VI

VAT case study

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A Spanish company, leader in the sale of specialized machinery, delivers measuring machines for the automotive industry to various countries, among others Spain. The recipients of these machines are taxable persons for VAT purposes, duly registered in their respective countries of residence.

In the course of its business activities, the company incurs every month in the following expenses:

- €900,000 plus VAT for the purchase of raw materials necessary for its production, being all the purchases made within the Spanish market.
- €30,000 plus VAT for the rental of its factory.
- €7,500 plus VAT for other business expenses.

The goods and services acquired are subject to Spanish VAT at the standard rate of 21% (said acquisitions have taken place in the first semester of 2021). Consequently, the input VAT for the Spanish company every month amounts to €196,875 (i.e. $937,500 \times 21\%$).

In addition, the Spanish company sells and distributes its products in the Spanish, European and other international markets every month of the first half of 2024 as follows:

- Spanish sales: €1,000 million plus VAT.
- EU sales: €200,000.
- International sales: €100,000.

The Spanish company must charge VAT for the supplies performed within the Spanish market at the standard rate of 21%

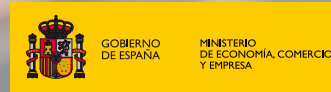
(i.e. $1,000,000 \times 21\% = 210,000$). However, the supply of goods to an EU Member State, or the supply of goods to other third territories (export of goods), would be exempt from VAT provided that all the regulatory requirements are met, among others, the demonstration of the transportation of products outside the Spanish VAT territory and that the recipient of the goods is a VAT trader when the goods are supplied to other EU Member State.

As the Spanish company's turnover for the previous year exceeded the amount of €6,010,121.04, the company is considered to be a large company and therefore it is obliged to submit the returns on a monthly basis. Otherwise, the returns must be submitted quarterly.

The output VAT must be recorded in such return (i.e. €210,000). However, this amount may be offset with the input VAT borne in the prior acquisitions of goods and services derived from its business activity (i.e. €196,875).

The difference between the output VAT and input VAT will amount to €13,125, which will be the final tax to be paid to the Tax Authorities when submitting the return.

GARRIGUES



ICEX

INVEST IN
SPAIN

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- 3 State incentives for specific industries
- 4 Incentives for investments in certain regions
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- 6 Preferred financing of the official credit institute (*instituto de crédito oficial* or ICO)
- 7 Internationalization incentives
- 8 EU aid and incentives

Investment aid and incentives in Spain

With the aim of promoting investment, employment, competitiveness and economic growth, the Spanish State and all other public authorities have been developing a broad range of aid instruments and incentives specially targeted at boosting indefinite term employment, regional investment and research, development and technological innovation (R&D and TI).

Furthermore, since Spain is an EU Member State, potential investors are also able to access European aid programs, which provide further incentives for investing in Spain. In this regard, it is also worth noting the particular impact that the “Next Generation EU” Program is achieving as a special funding

mechanism aimed at helping the Member States recover from the consequences of the Covid-19 pandemic, of which Spain is one of the main recipients.

Against this backdrop and as part of Spain’s Recovery, Transformation and Resilience Plan (and its Addendum), major public reforms and investments are being undertaken in Spain to accomplish the so-called green and digital transition, strengthen social and territorial cohesion, promote gender equality, and boost private investment with the aim of contributing to the transformation of the current production model into a more resilient and inclusive structure that is better prepared to tackle future crises.

Investment aid and incentives in Spain

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1. Introduction

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3	State incentives for specific industries
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5	Aid for innovative SMEs
6	Preferred financing of the official credit institute (<i>instituto de crédito oficial</i> or ICO)
7	Internationalization incentives
8	EU aid and incentives

With the aim of promoting investment, employment, competitiveness and economic growth, the Spanish State and all other public authorities have been developing and consolidating an extensive and complete system of aid instruments and incentives especially targeted at boosting indefinite-term employment, regional investment and at research, development and technological innovation (R&D&I).

Furthermore, since Spain is an EU Member State, potential investors are able to access European aid programs, which provide further incentives for investing in Spain.

These investment aid measures can be classified as follows:

- State incentives for training and employment.
- State incentives for specific industrial sectors.
- Incentives for investments in certain regions.
- State incentives for innovative SMEs.
- Preferred financing from the Official Credit Institute (*Instituto de Crédito Oficial* or ICO).
- Incentives for internationalization.
- EU aid.

Most of the aid that can be obtained from the various agencies depends largely on the specific characteristics of each investment project (i.e. the better the prospects of the project, the more possibilities there are of obtaining financing and aid).

Furthermore, the **ICEX-Invest in Spain** website [ICEX-Invest In Spain](#) offers a search engine for public aid and subsidies granted in Spain. Using this tool, companies can gain easy access to updated information regarding the grants available for their investment projects. Also, this same tool now includes an automatic alert system for aid and subsidies tailor-made to each user.

In this regard, and as will be explained in detail in [section 8](#) of this chapter, it is particularly important to also mention, when referring to the large number of aid programs and lines described herein, the approval and implementation of the European Recovery Instrument Next Generation Program, together with the new reinforced Multiannual Financial Framework for the period 2021-2027, as part of the measures approved by the European Council to boost the convergence, resilience and transformation of the economy of the Member States by accelerating the twin green and digital transition.

Bearing the foregoing in mind, and notwithstanding the tax incentives analyzed in other chapters (essentially investment tax credits for further information go to [chapter 3, section 2](#)), the main State incentives for investors are described on the following pages.

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2. State incentives for training and employment



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- 4 Incentives for investments in certain regions
- 5 Aid for innovative SMEs
- 6 Preferred financing of the official credit institute (*instituto de crédito oficial* or ICO)
- 7 Internationalization incentives
- 8 EU aid and incentives

These incentives, which form part of the Government's employment promotion policy, can signify important savings in labor costs and are divided into 2 types:

2.1 TRAINING INCENTIVES

Law 30/2015, of September 9, 2015, regulating the Vocational Training for Employment System in the area of employment, regulates the training incentives system currently in force, with the following main goals: (i) to guarantee that workers, employees and unemployed workers, in particular the most vulnerable, can exercise their right to training, (ii) to contribute effectively to the competitiveness of Spanish companies, (iii) to increase collective negotiation aimed at bringing the offer of training initiatives into line with the demands of the productive system, and (iv) to offer efficiency and transparency in public resources management.

However, it should be borne in mind that Employment Law 3/2023, of February 28, 2023, was subsequently approved. Article 33 of such Law provides that the principles, objectives and regulation of the in-work training system will be subject to specific regulation and that, in any event, the aims of in-work training are essentially as follows: (i) to foster training throughout the life of employed and unemployed workers, (ii) to vest the right to training and to career advancement, (iii) to improve workers' occupational skills, (iv) to contribute to improvements in the productivity and competitiveness of enterprises, (v) to ensure that all the training content taught in in-work training is done with a gender perspective, (vi) to enhance workers' employability, (vii) to ensure that the occupational skills acquired by workers are subject to an assessment process as part of in-work training, (viii) to

facilitate the transition toward high-quality employment and occupational mobility, (ix) to accompany the digital and green transformation processes and foster social and territorial cohesion, as well as gender equality, and (x) to boost programmed training by enterprises.

The above-mentioned Employment Law 3/2023, of February 28, 2023, has been partially implemented by Royal Decree 438/2024, of April 30, 2024, implementing the Common Services Portfolio of the National Employment System and the guaranteed services established in Law 3/2023. Among the services offered by the National Employment System are on-the-job training services (articles 23 et seq. of Royal Decree 438/2024), which are aimed at promoting the effective acquisition of or significant increase in complementary skills not included in the National Catalog of Occupational Skill Standards, which result in greater employability or improved employment, taking into account the individual profile of the person requesting the employment services.

In any case, the vocational training for employment system currently in force is aimed at companies and workers anywhere in Spanish territory. It is an initiative based on coordination, collaboration and cooperation between the Central Government, the autonomous communities, leading business associations and trade union organizations, and other agents, and it aims to guarantee the unity of the market and ensure that a strategic approach is adopted in relation to training, while at the same time respecting, naturally, the existing distribution of powers in this respect.

Such system is to be financed by, among other funds, the vocational training for employment contributions paid by companies and workers, on the terms established by their specific regulations (considering in any case the distribution

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of powers between the Ministry of Labor and Social Economy and the Ministry of Education, Vocational Training and Sport) and in accordance with the provisions of the annual General State Budget Laws, by the contributions included in the budget of the State Public Employment Service¹ and by whatever own funds the Autonomous Communities may decide to allocate to it within the framework of their own budgets.

According to the definition provided in Law 30/2015, a training initiative refers to any of the forms of training for employment which are intended to provide an immediate response to the different individual needs and needs of the productive system, and such initiatives should be geared, specifically, towards promoting the acquisition, improvement and ongoing updating of vocational skills and qualifications, favoring training throughout the entire working life of the active population, conjugating the needs of people, of enterprises, of territories and of productive sectors.

Based on this premise, the training initiatives considered eligible for financing within the framework of the vocational training for employment system currently in force must, as a general rule, conform to any of the following four types (which are regulated in detail in Royal Decree 694/2017 of July 3, 2017, containing the implementing regulations for Law 30/2015):

- **Programmed training offered by employers to their workers:** training initiatives that seek to respond to the real, immediate and specific training needs of employers and their workers, able to be carried out directly by employers or entrusted to an external agency accredited and/or registered at the appropriate registry.
- **Training offered by the relevant authorities to employed workers:** aimed at fulfilling needs not covered by the programmed training offered by employers to their workers.

These training initiatives are targeted at employed workers and take the following into consideration: (i) a company's productivity and competitiveness requirements, (ii) the need to adapt to changes at the workplace, and (iii) workers' aspirations for professional promotion and personal development.

- **Training offered by the relevant authorities to unemployed workers:** training initiatives for unemployed workers in line with individual training needs and with the needs of the production system, aimed at enabling these workers to acquire the skills which are required by the job market, thus improving their employability.
- **Other vocational training initiatives (including, inter alia, individual leaves of absence for training and work-linked training):** training initiatives aimed at favoring a worker's professional and personal development, while responding to the needs of the labor market.

With respect to **programmed training offered by employers to their workers** and **individual leaves of absence** from work, employers are eligible - for the financing of the costs generated - for a so-called "training credit", of which they may avail themselves through reductions to the corresponding employer social security contributions, applicable in line with the communication by the employer of the completion of the training initiatives provided.

The amount of this training credit will depend on the amount of the vocational training contributions paid in by each company in the previous year, and on the percentage stipulated annually in the General State Budgets Law*, depending on the size of the company, with the guarantee of a minimum training credit linked to the number of employees a company's workforce, which can be higher than the vocational training contributions paid by the company into the social security system. Companies shall

contribute with their own resources to the financing of their workers' training with a variable percentage of 5% (for companies with between 6 and 9 employees), 10% (10 to 49 employees), 20% (50 to 249 employees) or up to 40% (250 or more employees).

It should be noted that the amount of the credit, and therefore the reduction which companies can apply to their contributions, varies according to the type of training provided:

¹ The State Public Employment Service will become the Spanish Employment Agency in accordance with articles 18 et seq. and additional provision one of Law 3/2023.

* According to information obtained from the authorities, until new limits are approved by Ministerial Order, those that are currently in force will continue to be applied, in this case those of Ministerial Order TAS/2307/2007.

Investment aid and incentives in Spain



FEATURES OF THE AID

AMOUNT (ADDITIONAL PROVISION 92 LGPE 2023²)*

Own training programs	Reductions in employer social security contributions so that the worker can take part in programs aimed at improving his qualifications.	The result of applying the following percentages, according to number of workers, to the amount paid in the preceding year as employer contributions to vocational training: 100% (between 6 and 9), 75% (between 10 and 49), 60% (between 50 and 249) and 50% (more than 250). For companies with between 1 and 5 workers and for newly formed companies or companies opening new workplaces with new workers, reductions of €420 are established for the first case and of €65 for the second, applied to the number of new workers.
Individual leaves of absence for workers	Reductions in employer social security contributions for companies granting individual leaves of absence for training to their workers.	Equal to the salary costs of the leaves of absence granted, for the amount that results from applying the criteria determined by regulations (Ministerial Order (TAS/2307/2007*), according to size of company. As an example, for 2023 the limits will be between the amount equal to the costs of 200 hours, for companies with between 1 and 9 workers, and the amount equal to the costs of 800 hours, for companies with between 250 and 499 workers, increased by another 200 hours for each 500 workers more on the workforce. During 2025, total credits granted under this section may not exceed 5% of the Public State Employment Service budget for the financing of reductions in employer social security contributions for vocational training for employment.

² Since the General State Budget Law for 2025 has not been approved (and until it is approved, as the case may be), Law 31/2022 of December 23, 2022, on the General State Budget for 2023 is deemed to be automatically extended, in accordance with article 134.4 of the Spanish Constitution.

* According to information obtained from the authorities, until new limits are approved by Ministerial Order, those that are currently in force will continue to be applied, in this case those of Ministerial Order TAS/2307/2007.

It should also be taken into account that companies that train those affected by temporary layoff procedures will be entitled to an increase in credit to finance steps in the area of programmed training. The amount of that credit increase, which will vary according to the size of the company, is the figure set out in article 9.7 of Law 30/2015 (ranging from €425 to €320 per person), although it could be updated by regulations.

It should also be borne in mind that companies that receive social security contribution benefits applicable to temporary layoff procedures must provide training, in the terms established in additional provision forty-four of the revised General Social Security Law, approved by Legislative Royal Decree 8/2015, of October 30, 2015, and additional provision twenty-five of the revised Workers' Statute, approved by Legislative Royal Decree 2/2015, of October 23, 2015.

On the other hand, so that public commitments in this respect can be met and training initiatives aimed at both active and unemployed

workers can be carried into effect, Law 30/2015 establishes a system of public subsidies, awarded through a competitive process, in which all training entities which meet the requirements in terms of accreditation and/or registration stipulated in the applicable legislation can take part. In the case of training programs entailing a hiring commitment, the process is open to companies and entities which undertake to formalize the corresponding contracts in the terms stipulated in the pertinent regulations.

The specific conditions to be met to be eligible for such subsidies are established by the Ministry of Labor and Social Economy in the corresponding Order.

Order TMS/368/2019, of March 28, 2019, linked to Royal Decree 694/2017 of July 3, 2017, which in turn implemented Law 30/2015 of September 9, 2015, regulating the Vocational Training for Employment System, currently applies to the training initiatives offered by the relevant authorities and their financing, and establishes the regulatory specifications for the grant of public subsidies to be used for said financing.

Pursuant to Order TMS/368/2019, the above-mentioned training initiatives for employed workers must be implemented through (i) industry-wide training programs, (ii) transversal training programs, and (iii) professional qualification and recognition programs.

In addition, in the case of unemployed workers, the training initiatives are to be implemented through (i) training programs offered by the public employment services, aimed at meeting the training needs detected in personalized insertion itineraries and in job offers, (ii) specific training programs targeted at unemployed workers with special training needs or difficulties for their insertion or professional requalification, and (iii) training programs including commitments to hire.

The regulations of Order TMS/368/2019 exclude, inter alia, training programmed offered by companies to their own workers and individual training leave, which will be regulated and financed pursuant to Law 30/2015, and to Royal Decree 694/2017, mentioned above.

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The maximum and minimum limits of the subsidies that can be granted to finance these training initiatives (of which public or private training entities, accredited and/or registered in the Training Entities Register, may be beneficiaries) for each specialization included in the Catalog of Training Specializations will be set by regulation and will include the possibility of adjusting the specific units established by the relevant authorities for their management area³. Meanwhile, however, the following maximum general economic units, as set forth in Schedule I of the Order, may be considered:

MODE OF TEACHING	AMOUNT OF THE MAXIMUM ECONOMIC UNITS
In-person	€13
Teletraining	€7.50
Hybrid	The above units will be applied according to the hours of in-person training or teletraining that take place in the training initiative.

Training initiatives not related to professionalism certificates, targeted at unemployed workers, may include the performance of unpaid work experience at companies, linked to the training initiatives and related to their training content, subject to the execution of an agreement between the company and the training entity. In this context, beneficiary companies can receive, as a direct concession, additional economic compensation per student per training hour, with a maximum amount of €6.00.

Lastly, mention should be made of training initiatives at companies (which form part of the training offered under the Vocational Training for Employment System directly designed to cover training needs of companies and their workers).

Article 50 of Organic Law 3/2022, of March 31, 2022, on the organization and integration of vocational training, provides that where companies meet the established requirements for such purpose and are duly authorized by the educational authorities, they may carry out training initiatives aimed at helping their workers over the age of 16 to obtain vocational training qualifications.

Notably, in accordance with article 52 of Royal Decree 659/2023, of July 18, 2023, implementing the rules governing the Vocational Training System, the Ministry of Education and Vocational Training, as well as the competent regional authorities, can issue periodic calls for funding for vocational training offered as part of training programs at companies or similar organizations. Attention will therefore need to be paid to the different calls published each year.

2.2 EMPLOYMENT INCENTIVES

The Spanish Central Government's employment policy is made up of active employment policies and unemployment protection policies. Active employment policies comprise the set of decisions, measures, services and programs aimed at contributing to enhancing employability and reducing unemployment, fully implementing the right to decent, stable and high-quality jobs, generating decent jobs and achieving the objective of full employment. This is articulated in article 2 of Employment Law 3/2023, of February 28, 2023.

In particular, active employment policies are the set of services and programs relating to induction, intermediation, employment, in-work training and advice relating to self-employment and entrepreneurship aimed at boosting job creation and improving

access to a decent job, which will be designed and carried out by the Spanish Employment Agency (which, as indicated, will replace the current State Public Employment Service) and the employment services of the autonomous communities within the scope of their respective powers. These points are clarified by articles 31 et seq. of Law 3/2023 and articles 10 et seq. of Royal Decree 438/2024.

The Central Government's current active employment policies were adopted by the Council of Ministers, through the approval of Royal Decree 818/2021, of September 28, 2021, on common employment activation programs for the Spanish National Employment System⁴, and of Royal Decree 1069/2021, of December 4, 2021, approving the 2021-2024 Spanish Active Employment Support Strategy⁵.

Against this backdrop, the Spanish Central Government offers an extensive catalog of aid to boost employment, consisting mainly of **reductions in social security contributions, aimed at promoting new stable or indefinite jobs** (especially, with

- ³ The public authorities may increase these amounts by up to 50%, depending on the singular nature of certain training initiatives which, given their specialization and technical characteristics, require greater financing.
- ⁴ This Royal Decree has been implemented by Order TES/1077/2023, of September 28, 2023, establishing, within the scope of the powers of the State Public Employment Service, the rules governing the grant of subsidies to fund active employment policy programs. The Order sets out the procedure for the grant, execution, control and justification of subsidies, and its Schedule specifies what activities are eligible for subsidies.
- ⁵ The guidelines needed to achieve the objectives of the Strategy across Spain as a whole and in each of the different autonomous communities, as well as the indicators to be used to ascertain and evaluate the degree of achievement of such objectives, will be set out each year in the corresponding Annual Plan for Promoting Decent Work. The 2024 Annual Plan for Promoting Decent Work was approved by the Council of Ministers in its Decision of July 2, 2024 (published in the Official State Gazette on July 18, 2024 pursuant to the Decision of July 15, 2024, of the Office of the Secretary of State for Employment and Social Economy).

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respect to priority target groups for employment policies, there are currently specific types of aid, such as, for unemployed persons included in groups such as women in general, young people aged 16-30, the long-term unemployed, unemployed persons over the age of 45 and persons with disabilities). Law 3/2023 has notably expanded the number of persons included among priority target groups for the employment policy⁶, so it is likely that in the short term the Central Government will adopt specific programs aimed at boosting employment for these groups⁷.

Furthermore, **on an exceptional basis, certain reductions in social security contributions are instrumented for temporary contracts executed with workers with disabilities or with socially-excluded individuals**, (provided that in both cases they are unemployed and registered as job seekers at the Employment Office), as well as with **persons who provide evidence of having been a victim of gender-based violence**.

Where the indefinite-term or temporary contract is part-time, the incentive will be the result of applying to the incentives stipulated for each case, a percentage equal to the percentage of the working day stipulated in the contract, increased by 30% (the result of which may in no case exceed 100% of the total amount, except in connection with incentives for hiring persons with disabilities through special employment centers).

The catalog of aid for the formalization of contracts, the basic parameters of which were just described above, is very extensive, as it varies according to the types of existing contracts and the specific features of each of them. These incentives are set forth, in general, in Royal Decree-Law 1/2023, of January 10, 2023, on urgent measures for employment contracts and enhancement to the social protection system for artistes and, to a lesser extent, in Law 43/2006, on improved growth and employment, as regards specific incentives for hiring disabled persons⁸.

More information on the aid and reductions envisaged for each type of contract may be found at the website of the [State Public Employment Service](#).

The following is a summary of the most relevant features of the main reductions, currently applicable, for the hiring of workers. Bear in mind, however, that the Central Government will perform a periodic assessment of the impact of measures to boost employment and may establish new incentives or eliminate pre-existing incentives that have been shown to be inoperative (additional provision 10 of Royal Decree-Law 1/2023).

2.2.1 INCENTIVES FOR HIRING UNDER INDEFINITE-TERM CONTRACTS

- **Disabled persons** (art. 2.2 Law 43/2006).

Employers who hire disabled persons (under an indefinite-term contract or in cases where a temporary job creation contract is converted into an indefinite-term contract or where training contracts signed with disabled persons are converted into indefinite-term contracts) will be entitled to a monthly reduction in the employer portion of social security contributions or, where appropriate, of its daily equivalent per worker hired, of €375/month (€4,500/year) for the entire term of the contract.

The reduction will be €425/month (€5,100/year) if the disabled worker is included in any of the following groups: (i) people with cerebral palsy, people with mental illness or people with intellectual disabilities, with a recognized degree of disability equal to or greater than 33%, and (ii) people with a physical or sensory disability, with a recognized degree of disability equal to or greater than 65%.

If at the time of hiring the disabled worker is aged 45 or older or is a woman, the applicable social security reduction will be increased, respectively, by €100/month (€1,200/year) or by €70.83/month (€850/year), and these increases will not be compatible with each other.

- **People with borderline intellectual impairment** (art. 14 Royal Decree-Law 1/2023).

The hiring under indefinite-term contracts of people with borderline intellectual impairment will give entitlement to a reduction in social security contributions of €128/month for 4 years.

⁶ In accordance with article 50 of the above-mentioned Law, the following are considered vulnerable groups to be given priority attention: young people particularly those who are low-skilled, people who are long-term unemployed, people with disabilities, people with borderline intellectual impairment, people on the autism spectrum, LGBTQ people, in particular trans people, people over the age of 45, migrants, recipients of international protection and applicants for international protection on the terms set out in the specific applicable legislation, victims of human trafficking, women with few skills, women who are victims of gender violence, people in a situation of social exclusion, gypsies, or people belonging to other ethnic or religious population groups, workers from sectors undergoing restructuring, people affected by drug and other addictions, victims of terrorism, as well as people whose guardianship or protection is or has been assumed by the public authorities, descendants in the first degree of women who are victims of gender violence and adults with dependent minors aged 16 or older, especially if they constitute lone-mother families or single-parent families, among other especially vulnerable groups.

⁷ Special attention will need to be paid to the different industry regulations, which may provide for specific actions in this area. For example, in accordance with the provisions of articles 54 and 55 of Law 4/2023, of February 28, 2023, for real and effective equality of transgender people and to guarantee the rights of LGTBI people, the public authorities will design and adopt the necessary affirmative action measures to improve the employability of this group and specific plans to help promote their employment, as well as their integration into the workplace, including the adoption of subsidies to foster the hiring of unemployed workers.

⁸ In accordance with additional provision 5 of Royal Decree-Law 1/2023, the following will continue to apply: the reductions in employer social security contributions for hiring disabled persons regulated in article 2.2 and .3 of Law 43/2006, as well as the provisions of articles 5 to 9 of said Law 43/2006 relating to the requirements for recipients, exclusions, simultaneity, maximum amount and incompatibility of reductions in employer social security contributions, the continuation of such reductions and the reimbursement of benefits, respectively.

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Persons with a borderline intellectual impairment are deemed to be those defined in article 2 of Royal Decree 368/2021, of May 25, 2021, on affirmative action measures to promote access to employment for persons with a borderline intellectual impairment (that is, persons who officially evidence, according to the current criteria for assessing disability status, an intellectual impairment of at least 20% but below 33%).

- **Workers reinstated after having stopped working at the company due to a total or absolute permanent disability** (art. 15 Royal Decree-Law 1/2023).

Hiring under indefinite-term contracts that entails reinstating workers who have stopped working at the company due to a total or absolute permanent disability will give entitlement to a reduction in social security contributions of €138/month for a period of 2 years, provided that the reinstatement does not arise from the worker's right to be reinstated in the job.

This reduction will also apply in cases of persons over the age of 55 with a permanent disability who are reinstated at their company in another category, as well as persons above that age who recovery their ability and can be hired by another company.

- **Women who are victims of gender violence, sexual violence and human trafficking** (art. 16 Royal Decree-Law 1/2023).

The hiring of women under indefinite-term contracts who have evidenced their status as victims of gender violence, sexual violence or human trafficking, sexual exploitation or labor exploitation and women in prostitution settings will give entitlement to a reduction in social security contributions of €128/month for 4 years.

- **People in situations of social exclusion** (art. 20 Royal Decree-Law 1/2023).

The hiring under indefinite-term contracts of workers in a situation of social exclusion will give entitlement to a reduction in social security contributions of €128/month for 4 years.

In cases where the worker hired has completed an employment contract with a social integration company in the preceding 12 months, has not subsequently worked as an employee for a period exceeding 30 days for another employer after having left the social integration company and is hired for an indefinite-term by an employer that is not a social integration company or special employment center, the reduction will be €147/month for a maximum period of 12 months. After this period of 12 months ends, the reduction in the preceding paragraph will apply until a maximum period of 4 years is completed.

- **People who have been long-term unemployed** (art. 21 Royal Decree-Law 1/2023).

The hiring under indefinite-term contracts of unemployed persons who have been registered at the employment office for at least 12 months in the 18 months preceding the hiring will give entitlement to a reduction in social security contributions of €110 for 3 years.

Where these contracts are arranged with women or persons aged 45 or older, the indicated reduction will be €128/month for 3 years.

- **Victims of terrorism** (art. 22 Royal Decree-Law 1/2023).

The hiring under indefinite-term contracts of persons who have evidenced their status as terrorism victims will give entitlement to a reduction in social security contributions of €128/month for 4 years.

2.2.2 REDUCTIONS FOR HIRING UNDER TEMPORARY CONTRACTS

In accordance with article 2.2.4 of Law 43/2006, employers who hire disabled persons under a temporary job creation contract will be entitled to a reduction in the employer portion of social security contributions of €291.66/month (€3,500/year) throughout the entire term of the contract. The reduction will be €341.66/month (€4,100/year) if the disabled worker is included in one of the following groups: (i) people with cerebral palsy, people with mental illness or people with intellectual disabilities, with a recognized degree of disability equal to or greater than 33%, or (ii) people with a physical or sensory disability, with a recognized degree of disability equal to or greater than 65%.

If at the time of hiring the worker is aged 45 or older or is a woman, the social security reduction applicable according to the above paragraph will be increased, in both cases, by €50/month (€600/year), and these increases will be compatible with each other.

2.2.3 REDUCTIONS RELATED TO WORK-LIFE BALANCE MEASURES

- **Hiring of unemployed persons to replace employed persons** (art. 17 Royal Decree-Law 1/2023).

The following will give entitlement to a reduction in social security contributions of €366/month during the period in which the replacement contract and the respective benefit or, as the case may be, the temporary incapacity situation overlaps:

- Fixed-term contracts that are signed with unemployed young persons, under the age of 30, to replace workers who are receiving financial benefits (i) due to risk during

pregnancy or risk during natural breastfeeding, or (ii) due to the birth of and care for a minor or the shared exercise of care for the breastfeeding minor.

- Fixed-term contracts that are signed with unemployed persons to replace self-employed persons, working partners and members of cooperatives that are receiving financial benefits (i) due to risk during pregnancy or risk during natural breastfeeding, or (ii) due to the birth of and care for the minor or the shared exercise of care for the breastfeeding minor.
- Fixed-term contracts that are signed with unemployed persons with a disability to replace disabled workers whose employment contract has been suspended due to temporary incapacity.

- **Workers replaced for work-life balance reasons** (art. 18 Royal Decree-Law 1/2023).

In the case of employees replaced while receiving financial benefits for the birth of and care for a minor, the shared exercise of care for the breastfeeding minor, risk during pregnancy or risk during natural breastfeeding, under the replacement contracts referred to in the preceding point, a reduction in social security contributions of €366/month will apply.

In addition, in the case of working partners or members of cooperatives, replaced during rest periods due to the birth of and care for the minor, the shared exercise of care for the breastfeeding minor, risk during pregnancy or risk during natural breastfeeding, under replacement contracts qualifying for reductions, signed with unemployed persons as referred to in the preceding point, employers can apply a reduction of €366/month in the employer portion of social security

contributions relating to all items for partners included in a social security regime specific to employees.

The duration of these reductions will coincide with the period in which the replacement contract and the respective benefit overlap.

- **Change of job position due to risk during pregnancy or risk during natural breastfeeding, as well as in cases of occupational disease** (art. 19 Royal Decree-Law 1/2023).

In cases where, due to risk during pregnancy or risk during natural breastfeeding, the worker is assigned to a job position or function different from and compatible with her state, a reduction of €138/month will apply to the contributions that fall due while the worker performs the new job position or function.

This reduction will also apply where, due to an occupational disease, there is a change in job position within the same company or the worker performs, at a different company, a job position that is compatible with the worker's state.

2.2.4 REDUCTIONS FOR TRAINING CONTRACTS AND THEIR CONVERSION INTO INDEFINITE-TERM CONTRACTS AND THE HIRING OF RESEARCH PERSONNEL IN TRAINING

- **Work-linked training contract** (art. 23 Royal Decree-Law 1/2023).

The work-linked training contract will give entitlement, during its term, including any extensions, to a reduction of €91/month, as well as a reduction of €28/month in the

social security contributions of the worker and for joint collection items. However, these reductions will not apply in work-linked training contracts where they are signed as part of public hybrid employment-training programs.

- **Conversion of training and hand-over contracts into indefinite-term contracts** (art. 24 Royal Decree-Law 1/2023).

The conversion of training contracts into indefinite-term contracts at the end of their initial or extended term, regardless of the date of their execution, will give entitlement to a reduction in contributions of €128/month for 3 years. In the case of women, this reduction will be €147/month.

In the case of workers with training contracts and made available to user companies, such companies will, on the terms indicated in the preceding paragraph, be entitled to identical reductions where, uninterruptedly, they arrange an indefinite-term contract with such workers.

The conversion of hand-over contracts into indefinite-term contracts, regardless of the date of their execution, will give entitlement to a reduction in contributions of €55/month for the next 3 years. In the case of women, this reduction will be €73/month.

- **Hiring under indefinite-term contracts or the inclusion as a partner in a cooperative or worker-owned company of persons who carry out practical training at companies** (art. 25 Royal Decree-Law 1/2023).

The hiring under indefinite-term contracts or the inclusion as a partner in a cooperative or worker-owned company of persons who carry out practical training at companies by the company where the training is carried out, whether at the end or during the performance of the training, will give entitlement



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to a reduction in social security contributions of €138/month for a maximum period of 3 years, unless the worker hired is a disabled person, in which case the reduction may apply for the entire term of the contract.

In the case of inclusion as a partner in a cooperative, the above-mentioned reduction will only apply where the entity has opted for a social security regime specific to employees.

- **Work-linked training** (art. 26 Royal Decree-Law 1/2023).

Training activity in the work sphere, associated with a work-linked training contract, where it is carried out in the company will give entitlement to reductions in the employer portion of social security contributions to finance the costs of the training received by the worker hired, in the maximum amount that results from multiplying the economic module established by regulations by a number of hours equal to 35% of the working hours during the first year of the contract, and 15% of the working hours during the second year.

Where the work-linked training contract is formalized with beneficiaries of the National Youth Guarantee System, the maximum amount of the reductions that the company can apply to finance the training costs would be the result of multiplying the relevant economic module by a number of hours equal to 50% of the working hours during the first year of the contract, and 25% of the working hours during the second year.

All companies that formalize work-linked training contracts can apply a reduction for costs arising from tutoring the workers up to a maximum amount of €1.50 per student and hour of tutoring, up to a maximum of 40 hours per month and student. In the case of companies with fewer than 5 workers the additional reduction will be subject to a maximum amount of €2

per student and hour of tutoring, up to a maximum of 40 hours per month and student. These reductions for tutoring costs will be applied to the employer portion for vocational training and will be financed out of the vocational training contribution.

- **Research personnel hired under predoctoral contracts** (art. 27 Royal Decree-Law 1/2023).

The hiring of research personnel under predoctoral contracts will give entitlement, during the term of the contract, including any extensions, to a reduction in social security contributions of €115/month⁹.

2.2.5 SUPPORT FOR EMPLOYMENT IN THE SOCIAL ECONOMY AND IN SPECIFIC FIELDS OR SECTORS

- **Hiring of workers who are members of cooperatives and worker-owned companies as working partners** (art. 28 Royal Decree-Law 1/2023).

The hiring of unemployed workers who are members of cooperatives and worker-owned companies as working partners will give entitlement to a reduction in social security contributions of €73/month for a period of 3 years, where such entities have opted for a social security system specific to employees.

If the workers hired are young people under the age of 30, or persons under the age of 35 with a recognized degree of disability equal or greater than 33%, the reduction will be €147/month for the first year and €73/month for the remaining 2 years.

- **Conversion of temporary contracts signed with agricultural employees into indefinite-term contracts for seasonal work** (art. 29 Royal Decree-Law 1/2023).

The conversion of temporary contracts into indefinite-term contracts for intermittent work will give rise to the right to a reduction in contributions, for the following 3 years, of €55/month or €73/month in the case of female employees, where the conversion relates to temporary contracts signed with agricultural employees included in the Special Social Security Regime for Agricultural Employees.

- **Extension of the period of activity of workers with indefinite-term contracts for seasonal work in the tourism sector and in retail and hospitality sectors linked to tourist activity** (art. 30 Royal Decree-Law 1/2023).

Companies, excluding public sector companies, engaging in activities falling within the tourism sector, or within the retail trade and hospitality sectors provided the activities are linked to the tourism sector, that generate productive activity in the months of February, March and November each year and that take on and/or keep on workers with indefinite-term contracts for seasonal work in those months, may apply a reduction in contributions of €262/month for those months.

- **People hired in certain sectors of activity and geographical areas** (art. 31 Royal Decree-Law 1/2023).

Companies, excluding the public authorities and public sector entities, agencies and companies, engaging in

⁹ As provided for in Additional Provision Seven of Royal Decree-Law 1/2023, additionally, the hiring of research personnel will give entitlement to the reductions in social security contributions provided for in Royal Decree 475/2014, of June 13, 2014 on reductions in social security contributions for research personnel, as applicable.

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activities falling within the agriculture, fishing and aquaculture sector, the industrial sector, except energy and water, the retail sector, the tourism sector, the hospitality sector and other services sectors except for fixed-wing air transport, building construction, financial and insurance activities and real estate activities, as well as in other legally determined sectors or areas of activity, in the cities of Ceuta and Melilla, with assigned contribution accounts that have workers on indefinite-term contracts or replacement contracts due to temporary disability who work in those cities, are entitled to a reduction in contributions of 50% of their social security contributions for nonoccupational contingencies, as well as for contributions relating to unemployment, vocational training and the Wage Guarantee Fund, during the term of the contracts.

This reduction will apply while the Comprehensive Socio-Economic Development Plans of the Cities of Ceuta and Melilla are in force.

2.2.6 INCENTIVES FOR HIRING UNDER INDEFINITE-TERM CONTRACTS, UNDER TEMPORARY CONTRACTS OR FOR CONVERSION INTO INDEFINITE-TERM CONTRACTS THROUGH SPECIAL EMPLOYMENT CENTERS

In accordance with article 2.3 of Law 43/2006, the hiring of workers with disabilities (with a degree of disability equal to or greater than 33% or the degree specifically established in each case) by a special employment center, under an indefinite-term or temporary contract, including training contracts, qualifies for a 100% reduction in the

employer portion of social security contributions, including those for occupational accidents and occupational disease and joint collection contributions. The same reduction is available to special employment centers in the case of conversion into indefinite-term contracts of temporary job creation contracts with disabled persons or conversion into indefinite-term contracts of fixed-term or temporary contracts, including training contracts signed with workers with disabilities.

2.2.7 INCENTIVES FOR INDEFINITE-TERM EMPLOYMENT AND FOR INDEPENDENT PROFESSIONALS UNDER LAW 1/2015

Article 8 of Law 25/2015, of July 28, 2015, on the second chance mechanism, the reduction of financial burden and other social security measures, regulates the incentive for indefinite-term employment and for independent professionals. This incentive consists of the possibility of reducing the employer social security contribution, in any of its forms, in cases of indefinite-term hiring. In order to be eligible for this incentive, companies must (i) be up to date on the performance of their tax and social security obligations, (ii) they must not have terminated employment contracts in the preceding 6 months, and (iii) they must execute indefinite-term contracts that entail an increase in the level of employment at the company, and (iv) maintain over a period 36 months not only the level of indefinite-term employment but also the level of total employment attained with such contracts.

The amount of the incentive can be up to €500, over 24 months, in cases of full-time hiring, and it is reduced proportionally, in the case of part-time contracts, based on the percentage of reduction in working time stipulated in each new contract.

Once the aforementioned period has elapsed, companies with fewer than 10 employees at the time they execute the contract qualifying for this contribution relief will be entitled to maintain the incentive throughout the following 12 months, although during this period, they may only apply the reduction up to the first €250 of the contribution base, (or, where appropriate, the relevant amount reduced proportionally, in cases of part-time hiring).

Nonetheless, this incentive will not be applicable to certain employment relationships, such as special employment relationships (senior management, etc.) or to those that affect the spouse, ascendants, descendants and other persons related by consanguinity or affinity, or to the hiring of employees who had been hired by other group companies.

Lastly, the application of this incentive will be incompatible with the application of any other social security contribution reduction in respect of the same contract, other than the relief envisaged for hiring beneficiaries of the National Youth Guarantee System.

2.2.8 MEASURES TO SUPPORT COMMON EMPLOYMENT ACTIVATION PROGRAMS

Royal Decree 818/2021, of September 28, 2021, regulating common employment activation programs for the Spanish National Employment system – referred to above – establishes a series of aid measures, in the form of subsidies, for companies that hire workers in certain circumstances.

Although the subsidies still need to be specified once the conditions of participation have been approved (and their compatibility with other statutory incentives has been verified), the characteristics of the most important subsidies are summarized below:

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- **Program on integration of people with disabilities into the ordinary labor market** (arts. 47 a 50 of Royal Decree 818/2021).

- Incentives to hire people with disabilities under indefinite-term, full-time contracts: companies in the ordinary employment market that hire, under indefinite-term, full-time contracts, job seekers with disabilities who are registered in the public employment service, can receive a subsidy for each initial indefinite-term contract or transformation of a temporary contract into an indefinite-term, full-time contract, of €5,500 in general (€6,000 if the person initially hired under the indefinite-term contract is a woman, over 45 years of age, or is in any other vulnerable group). This amount may be increased by €2,000 when the workers with disabilities are from employment enclaves, in which case the collaborating company must hire the worker uninterruptedly, and at least 3 months after the worker has joined the enclave.
- Subsidies for adaptation to the job position: aimed at financing measures for universal physical, sensory, cognitive and communication accessibility and adequate measures according to the needs of each specific situation, unless such measures involve an excessive burden for the business, and the implementation of personal protection measures to prevent occupational risks among the persons with disabilities who have been hired and the elimination of architectural barriers or obstacles that prevent or make it difficult for them to carry out their functions. The benchmark figure of said subsidy is €1,800 per employee hired for the minimum period established by each public employment service, without it exceeding the actual cost that is evidenced for the adaptation, provision or elimination.
- Subsidies for supported employment services: subsidies for individualized guidance and companion actions at work,

provided by specialized employment trainers, aimed at facilitating the adaptation in social and employment terms of workers with disabilities, will be aimed at financing the salary and social security costs of the job support entities hiring said trainers. The benchmark figure of those subsidies will be determined according to the provisions of article 8.2 of Royal Decree 870/2007, of July 2, 2007, regulating job support programs as a measure to boost employment of persons with disabilities in the ordinary employment market.

- **Program on integration of people with disabilities into the protected labor market** (arts. 51 to 57 of Royal Decree 818/2021).

Specialized employment centers, with their own legal personality, registered as such on the relevant register, in which over 70% of the total workforce have disabilities, may receive subsidies (i) for fixed investment that creates employment, (ii) for the salary costs, (iii) for the adaptation of job positions and (iv) for personal and social adjustment services.

- **Program for the occupational integration of people at risk or in a situation of social exclusion** (arts. 58 to 64 of Royal Decree 818/2021).

Companies that hire participants in integration itineraries in the context of this program (namely, people at risk or in a situation of social exclusion, who are unemployed or in job accessibility companies, who have special difficulties in integrating in the ordinary employment market, as well as people with disabilities who have greater difficulties in accessing the employment market, women who are victims of gender violence, victims of human trafficking and transgender individuals who provide evidence as such in accordance with legislation in force) may take advantage of incentives

for hiring participants in integration itineraries in the ordinary employment market.

Those incentives consist of a subsidy of €7,000 for each participant in an integration itinerary that is hired in the ordinary employment market (€7,500 if the person is a woman, over 45 years of age, or is in any other vulnerable group).

The public authorities may agree to an increase of up to 10% in the subsidies established in this program, where the beneficiaries are women who are victims of gender violence.

- **Subsidies for returning talent** (art. 67 of Royal Decree 818/2021).

In the case of persons who return to Spain to sign an employment contract after living abroad, a subsidy in the amount of €5,500 may be received for each full-time, indefinite-term contract signed (€6,000 if the person is a woman, over 45 years of age in the case of persons with disabilities or in any other vulnerable group determined by the public employment service), or €7,000 or €7,500, respectively, if the competent public employment service includes this scenario among those that require greater attention.

The public authorities may agree to an increase of up to 10% in the subsidies established on this program, where the beneficiaries are women who are victims of gender violence.

- **Program for equality between men and women** (arts. 68 a 72 of Royal Decree 818/2021).

- Incentive to the hiring of women under indefinite-term contracts: companies that hire women, indefinitely, in sectors in which there is a higher concentration of men, and

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women who have been unemployed for over 24 months due to maternity, adoption, pre-adoptive guardianship, fostering and guardianship on legally-established terms, may receive a subsidy of €6,000. This amount may be increased to up to €7,500 where the persons hired indefinitely are women who are considered particularly vulnerable by the relevant public authority.

- Aid for a work/life balance and shared work and family responsibilities: companies may receive the following subsidies where:
 - o They adopt, as part of their equality plans, measures to achieve a work-life balance and shared responsibility agreed with workers' statutory representatives or, if there are no such representatives, with the personnel affected by same. A subsidy of €2,250 per year may be granted for each worker that benefits from those measures, up to a maximum of €9,000 per company per year. Aid for each worker is proportional to the period in which the work/life balance is enjoyed if that period is less than 1 year.
 - o The substitute workers who have taken leave of absence or reduced working hours to care for minors, for up to 3 years in the first case and 12 years in the second case, or family members who are dependent or have a serious illness. Individuals hired for such substitution must be registered as unemployed at the public employment services. For each month effectively worked full-time by the person hired for the substitution, part of the salary costs resulting from the contract up to an amount equivalent to the monthly national minimum wage may be subsidized during the period determined by the competent public

employment service. This amount may be reduced proportionally if the individual works part-time or for the periods in which the substitution is less than 1 month.

The public authorities may agree to an increase of up to 10% in the subsidies established on this program, where the beneficiaries are women who are victims of gender violence.

- **Welfare/employment integration program for women who are victims of gender violence** (arts. 73 and 74 of Royal Decree 818/2021).

Incentives may be granted for hiring, under indefinite-term contracts, women who are victims of gender violence registered as unemployed in public employment services, consisting of subsidies of €7,500 for each person hired.

- **Program for the reactivation and integration into the labor market of unemployed persons over the age of 45** (arts. 75 and 76 of Royal Decree 818/2021).

Incentives may be granted for the hiring under indefinite-term contracts of people aged over 45 who are registered as job seekers in the public employment services, consisting of subsidies of €5,500 for each person hired (€6,000 for women, people with disabilities or in any other vulnerable group), and of €7,000 where that person has been unemployed for a long period (€7,500 for women, people with disabilities or in any other vulnerable group).

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3. State incentives for specific industries



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- 4 Incentives for investments in certain regions
- 5 Aid for innovative SMEs
- 6 Preferred financing of the official credit institute (*instituto de crédito oficial* or ICO)
- 7 Internationalization incentives
- 8 EU aid and incentives

The Central Government provides financial aid and tax benefits for activities pursued in certain industries which are considered to be priority industries (i.e., mining, technological development, research and development, etc.) in view of their potential for growth and their impact on the nation's overall economy. Additionally, Autonomous Community governments provide similar incentives for most of these industries.

Financial aid includes nonrefundable and partially refundable subsidies, as well as interest relief on loans obtained by beneficiaries, or any combination thereof.

The main official programs supporting the industrial development projects to support innovation currently in force are:

3.1 RESEARCH, DEVELOPMENT AND TECHNOLOGICAL INNOVATION

3.1.1 2021-2027 SPANISH STRATEGY FOR SCIENCE AND TECHNOLOGY AND FOR INNOVATION

Encouraging innovation, technological improvement and research and development projects continues to be one of the priority objectives of the Spanish public authorities, since this is a determining factor of the increase in a country's competitiveness and economic and social evolution.

Science, Technology and Innovation Law 14/2011, of June 1, 2011 (the LCTI) establishes the legal framework for the fostering of scientific and technical research, experimental development and innovation in Spain, founded on a scheme based on the approval

of the related Spanish Strategies for Science, Technology and Innovation, which serve as multi-year reference documents for reaching the statutory objectives and as a basis for the preparation of a State Plan through which to instrument in detail the initiatives required to perform such objectives.

In line with the foregoing, at the end of 2020, the Council of Ministers approved **"the Spanish Strategy for Science and Technology and for Innovation" (EECTI) for the 2021-2027 period**, whose essential purpose is to promote, based on a solid system for generating new knowledge, a productive system that is based on current strengths and is more dynamic and innovative. Reestablishing a strong national R&D&I system is also an urgent action to which the Strategy attempts to respond. To this end, the following 7 general objectives are established:

1. Position science, technology and innovation as key areas for achieving the Sustainable Development Goals of the **2030 Agenda**.
2. **Contribute to the EU's political priorities** by aligning with its R&D&I programs, providing support to the agents responsible for the Science, Technology and Innovation System (SECTI) in order to achieve this objective.
3. **Prioritize and respond to challenges confronting the national strategic industries** through R&D&I, in order to foster the social, economic, industrial and environmental development of the country.
4. **Generate knowledge and scientific leadership**, optimizing the position of research staff and institutions, as well as the quality of their infrastructure and equipment. The aim is also to foster quality and scientific excellence, favoring a systemic effect that reaches and benefits a large number of groups, as well as the

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application of scientific knowledge to the development of new technologies that can be used by companies and to boost society's communication capacity and to influence the public and private sector.

5. **Boost Spain's ability to attract, recover and retain talent**, thereby facilitating professional progress and the mobility of research staff in the public and private sector and their ability to influence decision-making.
6. Foster the **transfer of knowledge** and forge **bidirectional links between science and companies**, through the mutual understanding of needs and objectives, particularly in the case of SMEs.
7. Promote **research and innovation in the Spanish business world**, thereby increasing its commitment to R&D&I and broadening the scope of innovative companies to make the business world more competitive.

With the launch of this Strategy, the aim is to duplicate the sum of public and private investments, until reaching the European average in 2027 (from the 1.24% of GDP in investment in R&D&I recorded in 2018, to 2.12% in 2027).

In order to attain the foregoing objectives, and having regard to the characteristics of the environment in which the agents of the SECTI are to pursue their activities, **14 priority areas of cross-cutting action** were identified:

1. **Budgetary:** aimed at increasing the budget devoted to R&D&I during the 2021-2027 period, and at providing incentives for private investment, until reaching, as noted above, the EU average, particularly through direct aid (subsidies), and fostering the establishment of suitable lines to facilitate the

use of European funds, as well as complying with State aid regulations.

2. **Instrumental:** with the goal of developing the instruments and bodies tied to the LCTI in order to increase the provision of advice by experts, simplify and make more flexible the instruments available and adapt them to agents' needs in order to improve the use of resources and strengthen the agents that finance the SECTI.
3. **Coordination:** to supplement in a synchronized manner national and industry policies with other policies at the European, regional and local level.
4. **Governance:** in order to address the development of a governance system and of indicators that facilitate the analysis, monitoring and evaluation of the results as compared to the objectives set.
5. **Capacities:** aimed at fostering and supporting the generation of scientific and innovative capacities within the public and private SECTI agents in order to boost the aggregation and development of high-level R&D&I centers and promote excellence in scientific and technological infrastructure.
6. **Itinerary:** in order to establish a scientific and technological itinerary for entrance into the R&D&I system that facilitates the promotion and job security of workers and that considers the needs of the country's research and innovation staff, also at private R&D&I centers and companies.
7. **Talent:** in order to craft mechanisms to attract and develop research, technology and innovation talent in companies, industries and R&D&I centers and facilitate the mobility of this staff in the public and private sector.

8. **Promotion:** in order to enhance business innovation and its dissemination across all industries, particularly in SMEs.
9. **Multidisciplinary approach:** in order to foster inter- and multi-disciplinary approaches, boosting and providing support to the cross-cutting use of essential enabling technologies, disruptive digital technologies or deep technologies that enable business and society to advance.
10. **Opportunities:** aimed at reinforcing national strategic industries, transforming social challenges into business development opportunities and fostering entrepreneurship and investment in private sector R&D&I, and attracting venture capital for innovative enterprises.
11. **Transfer:** to promote the existence of effective channels for the transfer and exchange of knowledge and cooperation between the public and private sector.
12. **Innovation:** in order to enhance value chains around focused innovation systems.
13. **Internationalization:** in order to step up of the internationalization of the SECTI agents through (i) the promotion of participation in international programs such as Horizon Europe and its joint programming initiatives, (ii) international collaboration with the support of scientific diplomacy, (iii) international cooperation for sustainable development, and (iv) the promotion of and participation in international scientific and technological installations and infrastructure.
14. **Social:** in order to boost Spanish society's commitment to R&D&I, encouraging scientific awareness and culture, as well as open and inclusive science and innovation.

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In order to carry out the objectives and key areas indicated, the Strategy provides for its implementation in **2 multiyear phases (2021-2023 and 2024-2027)**, each of which will have its corresponding Scientific and Technical Research State Plan, as a tool to implement, materialize and finance the actions and priorities established for the period in question:

- The first phase (2021-2023) focused on guaranteeing the strengths of the system, giving priority to supporting R&D&I in the healthcare area, and to investing in the green and digital transition, with strategic actions in priority industries and large growth-driving projects.
- The second phase (2024-2027), in contrast, is aimed at making R&D&I one of Spain's key pillars and shoring up its value as a tool to develop a knowledge-based economy.

For more information please see the [website](#) of the Ministry of Science, Innovation and Universities.

3.1.2 2024-2027 STATE PLAN FOR SCIENTIFIC AND TECHNICAL RESEARCH AND INNOVATION

On May 7, 2024, the Council of Ministers approved the [State Plan for Scientific and Technical Research and Innovation 2024-2027](#) (PEICTI), included in the Spanish Strategy for Science, Technology and Innovation 2021-2027, the purpose of which is to establish the objectives, priorities and programming of the policies to be developed by the Central Government over the next few years.

This Plan is already the second one approved for the development of the EECTI, and was crafted with the aim of consolidating the important progress that has taken place in the SECTI as a result of

the substantial increase in financing within the scope of the PEICTI 2021-2023 linked to the greater financing effort of the Central Government and the European funds.

The LCTI establishes that the PEICTI will be considered a strategic subsidy plan for the purposes of General Subsidies Law 38/2003, of November 17, 2003, and the funds allocated for its execution must be granted in accordance with the principles of publicity, transparency, competition, objectivity, effectiveness and non-discrimination.

The PEICTI incorporates all the activities undertaken by the Central Government in the field of scientific, technological and innovation development. In this respect, the PEICTI incorporates the initiatives adopted by the different ministerial departments and attached agencies in the field of R&D&I, including actions that require direct financing, in any of the financing modes (subsidy, loan, direct transfer, financial consideration, capital contribution, etc.), as well as other support and promotion initiatives that do not necessarily have to be associated with a financing program, but which are necessary to achieve the established objectives.

The PEICTI is targeted at all agents of the Spanish Science, Technology and Innovation System, both public and private, who are responsible for (i) conducting R&D&I activities, (ii) disseminating and promoting R&D&I results, and (iii) providing R&D&I services for the progress of the Spanish economy and society as a whole. In this respect, the orders establishing the specifications and calls for applications for the PEICTI determine the beneficiaries to whom the aid is addressed, the participation conditions and eligibility criteria that must be fulfilled, as well as the criteria for evaluating and selecting proposals and the conditions for implementing the aid and monitoring it for scientific-technical and economic purposes.

The funding for actions under the PEICTI comes from Spain's General State Budgets and may also originate from other financing sources including such European funds as the European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+), the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (EMFF), other EU financing and co-financing funds, such as Horizon Europe, the European Investment Bank and the funds originating from the Recovery and Resilience Facility, particularly, those included in the Spanish Recovery, Transformation and Resilience Plan (RTRP). Resources originating from other authorities at the local, autonomous community or international level, as well as the equity of the beneficiary institutions and co-financing from other entities, may also be used.

As regards the structure of the Plan, in order to achieve its objectives, Vertical Programs, Cross-Cutting Programs and Framework Conditions are defined. All the actions defined in the PEICTI are included in the Vertical Programs and can be included, in turn, in one or more Cross-Cutting Programs. The Framework Conditions are present and have an impact on all programs, both vertical and cross-cutting, and compliance with them must be verified in all actions.

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In summary, the 19 specific objectives may be classified as follows:

TYPE OF PROGRAM	SPECIFIC PROGRAMS	SPECIFIC OBJECTIVES (SO)
Vertical programs	Human Resources Program	SO 1 Strengthen the SECTI's capacity to train, attract and retain talent, prioritizing stable employment and suitable working conditions.
		SO 2 Encourage and recognize the development of scientific, technical and technological careers.
	Experimental Research and Development Program	SO 3 Promote the generation of scientific and technical knowledge, scientific quality and experimental development in public and private entities.
		SO 4 Strengthen research institutions, centers and units in the public and private sectors.
		SO 5 Promote knowledge transfer.
	Transfer and Collaboration Program	SO 6 Promote collaboration between the SECTI institutions and agents, with special attention to public-private partnerships.
		SO 7 Intensify the social communication of science, promoting scientific culture and citizen participation.

TYPE OF PROGRAM	SPECIFIC PROGRAMS	SPECIFIC OBJECTIVES (SO)
Vertical programs	Innovation Program	SO 8 Promote innovation in the private sector.
		SO 9 Strengthen knowledge-based entities.
		SO 10 Promote innovation in the public sector.
		SO 11 Support the creation of new innovative companies.
Cross-cutting programs	R&D&I Infrastructure Program	SO 12 Develop and strengthen scientific-technical infrastructure at the national and international level.
	Internationalization program	SO 13 Support and strengthen SECTI internationalization.
	Regional and Local Cooperation Program	SO 14 Promote regional and local cooperation, taking advantage of territorial synergies.
	Strategic Lines Program	SO 15 Support priority intervention areas.

TYPE OF PROGRAM	SPECIFIC PROGRAMS	SPECIFIC OBJECTIVES (SO)
Framework conditions	Commitment to Open Science Policy	SO 16 Ensure compliance with open science principles.
	Promoting Equality and Diversity	SO 17 Promote real and effective equality between men and women and diversity in all areas of the SECTI.
	Administrative simplification and bureaucracy reduction	SO 18 Promote administrative simplification and reduce bureaucracy.
	Eco-responsibility: Alignment with the Green Transition	SO 19 Promote eco-responsibility to contribute to the green transition.

The Plan also contemplates the approval of Annual Action Programs as budgetary planning instruments detailing the actions to be carried out during the year, the planned annual financing and the monitoring indicators for such actions.

As a recent new development, a new Order of specifications has been approved which regulates the granting of aid within the framework of the State Plan for Scientific and Technical Research and Innovation (PEICTI) 2024-2027. The new Order of specifications provides a uniform and simplified regulatory framework for the granting of aid, ensuring greater legal certainty, a better understanding of the regulations by the beneficiaries and ex-ante information that will enable them to plan their participation in future calls with more time.

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The aid contemplated in this Order falls within the following programs:

- Program for Research and Experimental Development, to support R&D projects in companies and consortia, including public-private partnership initiatives.
- Transfer and Collaboration Program, aimed at promoting knowledge transfer between companies and research centers.
- Innovation Program, to finance innovation projects with high market impact potential.
- Internationalization Program, aimed at supporting the participation of Spanish companies in international R&D consortia.

3.1.3 CENTER FOR INDUSTRIAL TECHNOLOGICAL DEVELOPMENT (CDTI)

The CDTI (state-owned business entity under the auspices of the Ministry of Science Innovation and Universities) promotes the technological innovation and development of enterprises, its main objective being to contribute to the improvement of the technological level of enterprises through the pursuit of the following activities:

- Technical/economic evaluation and financing of R&D&I projects developed by enterprises.
- Management and promotion of Spanish participation in international technological cooperation programs.
- Promotion of the international transfer of business technology and support services for technological innovation.
- Support for the creation and consolidation of technologically based enterprises.

Notwithstanding the more detailed presentation found on the [CDTI website](#), the lines available to the CDTI for the financing of R&D&I projects include most notably the following:

1. Aerospace and Vanguard Health PERTEs

The Addendum to the Recovery, Transformation and Resilience Plan approved at the time by the European Commission allowed the CDTI to open the first line of Partially Repayable Aid focused on the Aerospace and Vanguard Health PERTEs. Within this PERTE, 3 large lines of aid may be distinguished: those relating to R&D Projects, to the Direct Expansion Line linked to the PERTE, and to the Direct Innovation Line linked to the PERTE. Each of these lines is described in more detail below:

- R&D projects
 - i. R&D projects linked to the Aerospace and Vanguard Health PERTEs are applied business research and development projects for the creation or significant improvement of a production process, product or service. Projects must present a technological facet that distinguishes them from existing technologies in the market. They may comprise both **industrial research activities and experimental development**.
 - ii. The minimum eligible budget is €175,000 and the projects must last at least 12 months and may not end after December 31, 2026, including any possible extensions.
 - iii. All projects may have one or more technical milestones, the length of which must be from 9 to 18 months.
 - iv. The **financing instruments** envisaged for the projects are partially repayable loans subject to the availability of funds and which cover up to 90% of the total budget approved

by the Board of Directors of the CDTI. Participating companies must cover at least 10% of the project budget with their own resources.

- v. In these projects, **eligible expenses** include, among others, personnel costs, instrument and equipment costs, contractual research costs, technical know-how and patents or certain consultancy costs (excluding approval or CE marking costs) and equivalent services used exclusively for the research activity, as well as additional overheads directly related to the research project and audit costs. The expense of the auditor's report and project management and coordination expenses will also be eligible.
- vi. As regards **advances**, the company may opt for an advance of 90% of the aid granted, without requiring a guarantee in addition to the financial conditions agreed by the CDTI's Board of Directors when approving the project. The company will have a period of 20 days from the approval of the project to give notice of the waiver of the advance or request the modification of its amount.
- vii. The loan will be **repayable** over a 15-year period. Repayments will be six-monthly and the first repayment of principal will be made 3 years after reaching the mid-point of the project, with a minimum period of 2 years as from its completion date.
- viii. Repayment may not be made before 2 years elapse from the expected completion date of the project.
- Direct expansion line linked to the PERTE.
- i. Technological innovation projects associated with the Aerospace and Vanguard Health PERTEs are individual initiatives led by companies with an applied approach and



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a close relationship with the market. Their purpose is to improve companies' competitiveness through the adoption of **emerging technologies**. This aid seeks to promote innovation in **Spanish regions that are disadvantaged or have economic difficulties**, while strengthening the capacities of companies that propose technologically innovative projects to boost their growth.

- ii. Under this line, the following will be granted: (i) **aid for initial investment**, comprising investment in tangible and intangible assets related to the creation, expansion, diversification or fundamental transformation of existing establishments, and (ii) **aid for initial investment giving rise to a new economic activity**, including the creation of new establishments or the diversification of existing activities, provided that the new activity is not identical or similar to that carried out previously.
- iii. The minimum **budget** eligible for funding is €175,000 and the maximum is €30 million. These projects will have a minimum duration of 9 months and a maximum duration of 18 months and will only have a single milestone.
- iv. The **financing instruments** envisaged for the projects are partially repayable loans subject to the availability of funds and which cover up to 75% of the total budget approved by the Board of Directors of the CDTI. The participating company must contribute at least 25% of the eligible costs.
- v. For these projects, the **investments** considered **eligible** will be acquisitions of new fixed assets – both tangible and intangible (patents, licenses, technical know-how or other intellectual property rights) – which entail technological innovation and an improvement of the productive capacities of the company carrying out the project.

vi. As regards **advances**, the company may opt for an advance of 90% of the aid granted, without requiring a guarantee in addition to the financial conditions agreed by the CDTI's Board of Directors when approving the project. The company will have a period of 20 days from the approval of the project to give notice of the waiver of the advance or request the modification of its amount.

vii. The loan will be **repayable** over a period of 10 years, with a 2-year grace period and six-monthly repayments.

viii. Repayment may not be made before 2 years elapse from the expected completion date of the project.

- Direct Innovation Line linked to the PERTE
 - i. These linked technological innovation projects are characterized by having an individual nature, being carried out by companies, having an applied nature, being very close to the market and with a medium/low technological risk, as well as for having the capacity to achieve the intended objectives (both technical and commercial) and with short investment payback periods, which support the Company concerned in improving its competitiveness by incorporating **emerging technologies**.
 - ii. The minimum **budget** eligible for financing is €175,000, with a minimum duration of 9 months and a maximum of 18 months, and the project may not end later than December 31, 2026, notwithstanding any possible extensions.
 - iii. All projects must have a single milestone.
 - iv. The **financing instruments** will consist of partially reimbursable loans, subject to the availability of funds and with a coverage of up to 85% of the total budget approved

by the CDTI's Board of Directors. The participating company must contribute at least 15% of the project budget with its own resources.

- v. **Eligible expenses** include, among others, personnel expenses, material and consumable costs, the acquisition of new fixed assets that represent a significant technological leap for the company carrying out the project, the engagement of external services and subcontracting, as well as auditing costs.
- vi. As for **advances**, the company may opt for an advance of 90% of the aid granted, without the requirement of a guarantee in addition to the financial conditions agreed by the CDTI's Board of Directors when approving the project. The company will have a period of 20 days from the approval of the project to give notice of the waiver of the advance or request the modification of its amount.
- vii. The loan will be **repaid** over a period of 10 years in semiannual installments.
- viii. **Repayment** may not take place before one year from the expected completion date of the project.

2. R&D Projects

This line has the purpose of financing applied business projects linked to the creation and significant improvement of a productive process, product or services, including both industrial research activities and experimental development.

7 **categories of projects** are potentially eligible for financing under this line:

- Individual R&D projects, presented by a single enterprise.

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- National Cooperation R&D Projects submitted by business groupings (ELGs or consortiums), made up of a minimum of 2 and a maximum of 6 autonomous companies.
- International Technological Cooperation Projects presented by Spanish enterprises participating in international technological cooperation programs managed by the CDTI (multilateral, bilateral programs, international programs with certification and unilateral monitoring by this body).
- European Technological Cooperation R&D Projects, related to the boosting of the technological capacity of Spanish companies in order to participate in: (i) Important Projects of Common European Interest, (ii) Joint Technology Initiatives projects, and (iii) Projects deriving from Horizon Europe Partnerships.
- International Technological Training R&D Projects, related to the boosting of the technological capacity of Spanish companies in order to participate in bidding processes for projects and programs managed by international organizations in which Spain is represented by the CDTI and with which the CDTI has cooperation agreements (major international scientific-technological facilities and international space programs). Also, the technological capacity to participate in tenders for Unique Science and Technology Infrastructures (ICTS) such as (i) Large International Scientific and Technological Facilities (CERN, ESO, ESRF, ESS, FAIR, ILL, ITER and XFEL), and (ii) Unique Science and Technology Infrastructures included in the Map of Unique Scientific and Technical Infrastructures (ICTS).
- R&D projects for the development of dual technologies, related to the boosting of the technological capacity of Spanish companies in order to bid in Defense and Security matters.

- Oriented R&D projects (PO): individual R&D projects presented at national level by a single company. The CDTI's Board of Directors will decide annually on the priority areas of application for these projects, in line with the PEICTI and the 2021-2027 Spanish Science, Technology and Innovation Strategy. In 2024, the focus was on (i) projects to improve the efficiency and sustainability of renewable energy systems and green hydrogen, (ii) the development of fire prevention and extinguishment technologies, and (iii) technologies aimed at the development of cutting-edge microprocessors and alternative architectures, integrated photonics and quantum chips.

The minimum eligible budget for these projects of the participating companies is €175,000 and €2 million in the specific case of Oriented Projects (PO), the duration required being between 12 and 36 months for all individual projects, between 12 and 48 months for national cooperation projects. All the projects may have one or more technical milestones, to be completed in a period of 9 to 18 months.

The instruments for financing the projects included in this line consist of partially repayable loans (only a part of the aid granted must be repaid to the CDTI), for up to a maximum of 85% of the total budget of the approved project (the company must finance at least 15% of the budget for the project with its own funds).

In these projects, the costs eligible for subsidies will be, among others, personnel costs, instrument and material costs, contractual research costs, technical knowledge and patents or certain costs deriving from consulting and equivalent services aimed exclusively at research activities, in addition to supplementary general expenses incurred directly on the research project and audit costs. The costs of the auditor's report and of the report assessing compliance with the DNSH (Do No Significant Harm) principle are also eligible.

Regarding the **advances** of the aid that can be obtained, (i) the CDTI offers a 50% advance of the aid granted, up to a limit of €300,000, without requiring additional guarantees, (ii) an advance of 75% of the aid may be requested on the condition that guarantees from credit institutions are provided, as long as the company is sufficiently solvent (in the opinion of the CDTI) to guarantee the additional 25%, and of the aid, and (iii) for Oriented Projects (PO), the advance percentage will be determined when the project is approved, with the possibility of a 50% advance being granted without additional guarantees, or up to 75% if the company has a "good" (B+) financial rating.

The loan is **repayable** within a period of 10 to 15 years, including a grace period of 2 to 3 years.

Early repayment will entail a penalty of 1% of the amount repaid, unless it is the result of an agreement with the CDTI to reduce the risk or financial cost. For Oriented Projects, the penalty will be equal to the present value of the total interest pending accrual over the remainder of the repayment period (except in cases of early cancellation).

3. Direct Innovation Line

This financing instrument, directly managed by the CDTI and co-financed with Structural Funds through the Research, Development and Innovation Operating Program, under the "de minimis" rules, is aimed at enterprises which carry out technological innovation projects whose objectives cover one or more of the following cases: (i) active incorporation and adaptation of emerging technologies at the enterprise, as well as processes aimed at improving technologies and adapting them to new markets, (ii) the application of the industrial design and engineering of the product and process for the



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improvement thereof, or (iii) application of a new or significantly improved production or supply method (including relevant changes in the area of techniques, equipment and/or software).

Projects cannot **last** less than 9 months, or more than 24 months and the minimum eligible budget will be €175,000. The amount of the financing will be 75% of the eligible budget (CDTI funds), which can be increased to 85% if co-financed by ERDF funds. The company must use external financing or its own resources to cover 25% of the budget when the CDTI contribution is 75%, or 15% when the contribution is 85%.

Investments eligible for financing will include the acquisition of new fixed assets which imply a major technological advance for the company carrying out the project, personnel costs, material and consumables, external collaborations, overhead costs, audit costs and costs incurred in certifying compliance with the DNSH principle. These investments and expenses must be formalized subsequent to the date of presentation of the application for aid.

It will be possible to opt for an **advance** of 50% of the aid granted (up to €300,000) without additional guarantees, or of up to 75% by providing guarantees in respect of the difference which the CDTI regards as being adequate.

4. Science and Innovation Missions

In its 2024 call for proposals, the Science and Innovation Missions Program proposed the financing of cooperative R&D projects, led by companies, which respond to the socio-economic challenges faced by developed societies. Specifically, actions were established aimed at the presentation of financing formulas related to the following areas: (i) safe driving adapted to the new models of electromobility and autonomous vehicles, (ii) more

efficient, sustainable, environmentally friendly and climate change-adapted structures, (iii) the development of a flexible, automated, safe and intelligent logistics environment, (iv) the development and strengthening of the Spanish integrated photonics ecosystem, (v) decontamination of ecosystems, (vi) digital health, promoting the development of bio-health technologies based on digital systems, (vii) sustainability and efficiency in air transportation, and (viii) sustainability and efficiency in processing and packaging for a quality and safe food industry.

Aid granted under this program takes the form of **subsidies** targeted at projects implemented on a collaborative basis by clusters of companies that form part of a coordinated R&D action within the framework of the initiative. The company representing the cluster must be a large or small company and the cluster must be composed of a minimum of 2 and a maximum of 6 companies, and at least 2 of them must be independent of each other.

In the 2024 call for aid applications, which was included among the actions of the National Recovery, Transformation and Resilience Plan approved at that time, the **minimum eligible budgets** were between €1,500,000 and €175,000 per company.

The amount of the subsidies in the 2024 call for aid applications could attain the following **maximum limits** of the eligible budget, depending on the size of the applicant enterprise for industrial research projects: 50% Large Enterprise, 60% Medium-sized Enterprise and 70% Small Enterprise. And for experimental development projects: 25% Large Enterprise, 35% Medium-sized Enterprise and 45% Small Enterprise.

Eligible expenses included staff costs, costs of instrumentation and materials able to be inventoried, costs of contractual

research, technical know-how and patents acquired at market prices, overhead expenses and additional operating expenses incurred directly on the project, as well as the costs relating to the auditor's report.

5. TransMissions Program

Through this Program, the Ministry of Science and Innovation proposes to launch major initiatives of strategic lines targeted at Missions, financed in a coordinated manner by the CDTI, the State Research Agency (AEI) and/or the Carlos III Health Institute, as stated in the Transfer and Collaboration Plan "Science and Innovation at the service of Society", approved in 2022 by the Council of Ministers.

In the last call for 2024, the missions selected in this call have addressed relevant aspects of 2 of the 9 challenges set out in Spain 2050, specifically those related to (i) being more productive to grow better, and (ii) becoming a carbon-neutral society that is sustainable and resilient to climate change.

The general objective of the action is to finance R&D projects, carried out in collaboration by clusters of companies, to respond to the challenges posed in any of the following **missions**: (i) boosting the development of a Spanish fusion industry in the energy field, through the development of technologies to advance the path towards such a fusion field, (ii) boosting advanced fuels, bio-based energy sources and synthetic fuels developed from captured CO₂, (iii) boosting the circular economy in the field of renewable energies and energy storage, (iv) promotion of secure IoT and edge computing, as well as related deep cross-cutting technologies, (v) developments for the preservation and sustainable use of coasts and oceans in a context of climate change, (vi) promotion of



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genetic improvement in plant varieties as well as in animal and aquaculture species, (vii) promotion of immunological tools, innovative pharmacological treatments and control technologies, and (viii) promotion of research into infectious diseases and antimicrobial resistance.

The aid granted under this program takes the form of **subsidies** aimed at projects carried out in collaboration by clusters of companies that form part of a coordinated R&D action in the context of this initiative, in which 2 different clusters collaborate (one formed by companies and the other formed by research and knowledge dissemination organizations). The company representing the cluster must be considered a large or medium-sized company, at least one of the members must be an SME and the cluster must be made up of a minimum of 3 and a maximum of 8 companies, at least 2 of which must be independent of each other.

In the last call for 2024, included among the actions of the approved National Recovery, Transformation and Resilience Plan, the **minimum budgets** eligible for financing were €3 million and €175,000 per company.

The amount of the subsidies are subject to the following **maximum limits** of the eligible budget, according to the size of the applicant company for industrial research projects: 50% Large Enterprise, 60% Medium-Sized Enterprise and 70% Small Enterprise. And, for experimental development projects: 25% Large Enterprise, 35% Medium-Sized Enterprise and 45% Small Enterprise.

Eligible expenses include personnel costs, instruments and inventories, contractual research, know-how and patents acquired at market prices, additional overheads and operating expenses arising directly from the project, as well as the cost of the auditor's report.

6. INNODEMANDA Program

INNODEMANDA Program is a financing instrument to support the technological offer in innovative public procurement processes convened by the authorities. This program finances an enterprise's innovation costs required in a particular public procurement process, in such a way that the contracting body has more competitive offers, fostering a greater use of innovative products and services by the Administration.

The operation of this program requires a synchronization between the scheduled time of a particular procurement and the time of application, analysis and resolution of the R&D by the CDTI required for participation in the tender.

To this end, it is necessary the formalization of an **Adhesion Protocol** between the CDTI and the contracting bodies, specifying, among others, the most significant milestones established in the invitation to tender, as well as the implementation deadlines, conditions and legislation applicable to the financing offered by the CDTI for R&D activities.

7. NEOTEC Initiative

The aid under the NEOTEC Initiative finances the creation tech-based companies oriented towards growth, contributing to entrepreneurship and speeding up the transfer of knowledge from public research bodies and universities.

The aid can be used for business projects in any technological and/or industrial area. The 2024 call for aid applications, for example, has been financed with funds from the Recovery and Resilience Facility.

The aid takes the form of **subsidies**, and **beneficiaries** must be innovative small companies that have been in

existence for 3 years at the most and have share capital totaling at least €20,000.

The **maximum budget** of the last 2024 call for aid applications has been €20 million, based on subsidies of up to 85% of the budget of the action and subject to a maximum subsidy of €325,000 per beneficiary, and the **minimum budget** eligible for financing has been €175,000 per project. In addition, **eligible expenses** have included, among others, investments in equipment, expenses relating to staff, materials, external collaborations/advisory services, promotion and dissemination expenses and training expenses.

8. CIEN Strategic Projects

The Strategic Program of *Consortios de Investigación Empresarial Nacional* (CIEN) (National Business Research Consortiums) finances, major industrial research and experimental development projects, carried out by business groupings on the basis of effective cooperation and targeted at the performance of planned research in tomorrow's strategic areas with potential international projection. Each consortium must be made up of a minimum of 3 and a maximum of 8 companies. At least 2 must be autonomous companies and at least 1 must have SME status.

It also pursues the promotion of public-private cooperation in the area of R&D and, accordingly, requires the appropriate outsourcing of activities (representing at least 15% of the total budget) to research bodies (of which at least 1 must be public). Industrial research activities must exceed 33% of the total budget.

Applications for CIEN projects have been able to be submitted on an ongoing basis, for an entire year.

The aid takes the form of partially repayable **loans** (with a fixed interest rate of 1-year Euribor) for up to 85% of the approved budget (the company must finance 15% of the project budget with equity), with a maturity period of between 10 and 15 years and a grace period of between 2 and 3 years. The loan includes a non-repayable tranche of between 20% and 33% of the aid, calculated based on a maximum of 75% of the coverage of the loan.

The **minimum budget** which may be applied for is €5 million, and no company can exceed more than 85% of the approved budget. The expected duration of the project must be between 36 and 48 months. Lastly, beneficiaries may obtain advances equal to 35% of the aid, subject to a limit of €250,000, without having to provide any additional guarantees.

9. INNVIERTE Program

This program seeks to promote business innovation through support to venture capital investments in Spanish technologically based or innovative enterprises.

As part of this program, the CDTI started up a **co-investment initiative** open to investors regulated by the CNMV, such as venture capital companies and investment companies, also including the possibility of supporting professional investors, such as corporate investors.

This initiative, in which INNVIERTE accompanies professional private investors in periods of investment, delegating the management of investees to them, is instrumented in 2 **phases**: (i) official approval of professional private investors specializing in technology, through the execution of a co-investment agreement between them and INNVIERTE, and (ii) joint investment in technologically based companies that are in line with INNVIERTE's investment strategy, presented

by the approved co-investors pursuant to the co-investment agreement.

In November 2022 Innvierte launched a new venture capital facility for investment in strategic companies. The aim of this initiative is to support the growth and consolidation of Spanish technological and innovative companies that have a high potential for economic growth and are strategic for Spain.

The following, among others, are considered strategic technologies: critical and dual use technologies, technologies which are key to leadership and industrial training, and technologies developed under programs and projects of particular interest to Spain, including telecommunications, artificial intelligence, robotics, semiconductors, cybersecurity, aerospace technologies, defense technologies, quantum and nuclear energy storage technologies, nanotechnologies, biotechnologies, advanced materials and advanced manufacturing systems.

The facility seeks the industrial consolidation of technological capacities that have been developed and offer high potential for production activities. To this end, it invests until it acquires a less than 30% stake in the company's capital, so that there is a majority of private capital, but with the possibility of leveraging up to 49% of the capital increase subscribed. Investment opportunities can come from the companies themselves, from private investors or from CDTI Innovación, through Innvierte, as part of its tracking of technology-based companies.

In addition, in 2023 a call for "expressions of interest" was issued for the creation of a public-private investment vehicle in the form of a commercial company, aimed at developing advanced, innovative or emerging drugs, therapies and/or technologies within the framework of the PERTE for Vanguard Health.

The aim of the initiative is to identify companies with the necessary industrial and financial capacity to participate in setting up the corporate vehicle referred to in the initiative and which will be governed by Spanish private law.

Private shareholders will have a 51% stake in the proposed commercial company, whereas the remaining 49% will be provided by Innvierte, a subsidiary, operating under Spanish private equity law.

Lastly, in 2024, the INNVIERTE program has reactivated and reformulated the Fund of Funds line, aimed at its participation as an anchor investor in the investment vehicles selected for this purpose.

10. Direct Expansion Line (LIC A)

This program is aimed at boosting innovation in certain Spanish regions, improving the capacities of companies that propose investment plans that help them to grow. Specifically, the program designs aid for initial investments in favor of a new economic activity, with a view to driving the growth of innovative companies.

Beneficiaries must undertake an investment project in one of the regions assisted by the program.

The **minimum and maximum eligible budgets** within this line of aid, with a call for applications that is ongoing throughout the year, must be between €175,000 and €30 million and have a duration of 6 to 24 months. The following can be financed through the program: projects belonging to all of the productive activities that qualify for aid, except for those excluded by the current legislation (steel, coal, naval construction, synthetic fibers, fisheries, agriculture, etc. industries). In addition, investments must be maintained in the beneficiary area for at least 5 years in the case of large companies and 3 years in the case of SMEs.



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The project financing instruments envisaged in this line are **partially repayable loans**, subject to the maximum amount of 75% of the total budget of the approved project (the company must finance at least 25% of the project budget with equity or external financing free of any type of public aid). The repayable tranche of the loan will be 10% (in the case of funds from the CDTI) or between 15% and 30% (in the case of funds from ERDF), calculated based on a maximum of 75% of the approved budget. A fixed interest rate equal to 1-year Euribor + 0.75% will apply to these loans and they will be repaid within a 9-year term, with a one-year grace period from the conclusion of the project.

In these projects, the acquisition of new fixed assets entailing an innovation and improvement in capacities at the company that carries out the project, the costs of investing in tangible assets (property, plant and equipment) and intangible assets (patents, licenses, technical knowledge or other intellectual property rights) will be considered **eligible expenses**, among others. In the case of large companies, the costs of intangible assets can only be financed up to the limit of 50% of the total of the project's eligible investment costs for the initial investment. For both SMEs and large companies, eligible costs must be 3 times higher than the book value of the reused assets.

11. EIB Financing

The European Investment Bank (EIB) granted Spain a loan to serve as support for investment projects carried out by SMEs and mid-and small-cap companies with less than 3,000 workers.

The EIB financing is to be used for **loans** granted by the CDTI to R&D projects with a minimum term of 2 years. Projects of small size and investments with a projected maximum cost of

€25 million can be financed, although the EIB's contribution cannot exceed €12,500,000.

Potentially **eligible** are loans requested by companies established in an EU Member State and which are (i) independent SMEs with less than 250 workers prior to the investment, or (ii) independent mid-cap companies with less than 3,000 workers prior to the investment.

Nearly all economic industries are eligible, save for certain exceptions relating, for example, to weaponry, arms and ammunition production, games of chance, tobacco-related industries, activities whose sole purpose is real estate speculation, etc.

12. "Cervera" Technology Transfer R&D Projects

This financing line is aimed at business research and development projects of an applied nature for the creation or significant improvement of a production process, product or service, which can be shown to have a technological aspect which makes them different from the technologies existing in the market.

The essential characteristic of projects of this type is that they must necessarily be developed by a limited group of technological areas (Cervera priority technologies) and certain activities in the project must be contracted to knowledge-generating centers (public research organizations, public universities and university institutes, health research institutes, state-level technology centers and innovation support centers).

The Cervera **priority technologies** pertain to 11 main areas: (i) advanced materials, (ii) circular economy, (iii) energy transition, (iv) intelligent manufacturing, (v) health technologies, (vi) safety and health in the food chain, (vii) deep learning and artificial

intelligence, (viii) advanced mobile networks, (ix) intelligent transport, (x) the protection of data, and (xi) quantum computing.

Knowledge-generating centers must be given a relevant role in the projects, which cannot represent less than 10% of the total budget approved for the project.

This line of aid consists of **partially repayable loans**, with financial coverage of up to 90% of the approved budget and a repayment period of 10 or 15 years, including a grace period of between 2 and 3 years. The non-repayable tranche accounts for 33% of the aid and advances equal to 50% of the aid (subject to a limit of up to €300,000) may be obtained, without additional guarantees being required. The company must fund at least 10% of the project budget with equity.

The minimum **project budget** is €175,000 and the projects will last between 1 and 3 years, with one or more milestones, the length of which must be from 9 to 18 months.

Eligible expenses in the case of these projects include staff costs, costs of instrumentation and materials, contractual research costs, technical know-how and patents, certain consulting costs and equivalent services used exclusively for the purposes of the research activity (excluding approval or CE marking costs), plus supplementary general costs generated directly by the research project, operating expenses, costs of materials, supplies and similar products and audit costs.

13. Technological Program for Sustainable Automotive Industry (PTAS)

This program seeks to provide support to strategic collaborative R&D projects, led by enterprises, in technologies applicable

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in the automotive sector, with the **aim** of: (i) developing components and platforms for electric, plug-in hybrid and hydrogen-powered vehicles, (ii) fostering autonomous driving and connected mobility, and (iii) promoting the adaptation of production environments with secure and robust systems for human-machine interaction in a smart manufacturing environment, aimed at manufacturing components and systems for electric, plug-in hybrid and hydrogen-powered vehicles.

The aid granted under this program consists of **subsidies** targeted at clusters of enterprises made up of between 3 and 8 partners, of which at least 1 must be an SME and led by 1 large or medium-sized enterprise.

The **duration** of projects is set at 3 years. Currently, **minimum budgets** eligible for funding are between €5 million and €12 million, with a minimum eligible budget per enterprise of €175,000. The amount of the subsidies can be up to the following **maximum limits** of the eligible budget, according to the size of the enterprise: 65% Large Enterprise, 75% Medium-Sized Enterprise and 80% Small Enterprise.

Expenses eligible for subsidies include personnel costs, materials and instruments capable of being inventoried, contractual research costs, technical know-how and patents acquired at market prices, overhead expenses and additional operating expenses arising directly from the project or audit costs.

14. Internationalization of R&D&I

At international level, the CDTI offers support to Spanish enterprises and promotes technological cooperation abroad through various programs aimed at financing cooperation projects and initiatives, including most notably:

- EUROSARS Program 1 and 2.

The aim of this EU Program is to aid the development of transnational market-based projects by SMEs engaging in intensive R&D activities which represent a break with the technical state of the art and a commercial challenge in such a way as to enable these enterprises to take a qualitative leap in their position on the market.

The mechanisms envisaged for materializing the aid designed under this program are fundamentally the following: (i) creating a sustainable European mechanism to support these organizations, (ii) promoting the creation of economic activities based on R&D findings and introducing products, processes and services on the market more rapidly, (iii) promoting technological and business development and the internationalization of such enterprises, and (iv) securing the public funding of those participating in the projects.

The Ministry of Science, Innovation and Universities, through the CDTI, is in charge of managing this program.

- ERA-NET.

The ERA – NET scheme consists of a set of European networks of public bodies that provide financing for R&D&I at national level, with the objective of coordinating the research and innovation programs of the European states and regions, and of preparing and carrying out joint calls for aid applications aimed at boosting cross-border research, technological development and innovation projects.

ERA-NET calls for aid applications comprise an international phase and a national phase, each of which has its own

eligibility requirements and application procedures, it being essential to comply with all of them in order to obtain the financing (only projects approved in the international phase of the calls can become candidates eligible to receive CDTI financing).

- PRIMA.

This research and innovation initiative in the Mediterranean area (*Partnership on Research and Innovation in the Mediterranean Area*), approved by the European Parliament, seeks to foster a more sustainable regional management of water, agricultural and agro-food chain systems, in line with the Sustainable Development Goals of the 2030 UN agenda.

The consortium eligible in each case must be formed by 3 entities from three different PRIMA countries, of which at least 1 must be established in one of the following European States: Croatia, Cyprus, France, Germany, Greece, Italy, Luxembourg, Malta, Portugal, Slovenia and Spain, and at least one other in Algeria, Jordan, Egypt, Lebanon, Morocco, or in Israel, Tunisia or Turkey.

This initiative is broken down into 2 sections: section 1 (funded by the PRIMA Foundation) and section 2 (funded by the national financing bodies of the participating countries). The call for applications consists of two stages and a centralized assessment by the PRIMA Foundation. The total estimated budget for Section 1 is €27,900,000 (from the EU) for Section 2 is €32 million (from the Member States).

The 2024 calls for applications require consortiums of at least 4 partners (independent legal entities) that meet the following requirements: (i) they must be based in at least 3 different countries, (ii) 2 of them must be in a Mediterranean Partner

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Country (MPC): Algeria, Egypt, Jordan, Israel, Lebanon, Morocco, Tunisia and Turkey, and (iii) at least 1 Member State of the EU (and of PRIMA): Croatia, Cyprus, France, Germany, Greece, Italy, Luxembourg, Malta, Portugal, Spain and Slovenia.

The Annual Working Plan for 2024 and the [reference documents](#) for preparing the proposals are posted on the initiative's [website](#).

15. Audiovisual and Video Game R&D Projects

This program is targeted at (i) projects aimed at developing new technologies applicable in the audiovisual and video game fields, and at (ii) projects aimed at developing innovative technologies specific to the video game or audiovisual field for application in other environments. The program forms part of the Plan to Boost the Audiovisual Sector Spain Audiovisual Hub of Europe, the “Digital Spain 2025” Agenda, the Recovery, Transformation and Resilience Plan and the relevant State Plan for Scientific, Technical and Innovation Research.

The **minimum and maximum eligible budgets** within this aid facility, with an ongoing call throughout the year, must be between €175,000 and €2 million and for a multi-year term. Subcontracted activities may not exceed 50% of the eligible budget.

The project financing instruments envisaged in this facility are **subsidies**, which will be for a maximum amount of 60% of the budget for experimental development activities.

In these projects, the following, among others, will be considered **eligible costs**: (i) personnel costs, (ii) costs of instruments and inventories, (iii) costs of contractual research, know-how and patents acquired or licensed from external sources on an arm's length basis, as well as the costs of consulting and equivalent

services used exclusively for the project, (iv) costs arising from the auditor's report, up to €1,500 per beneficiary and, (v) overhead and other additional operating expenses.

16. Chip PERTE Missions

The PERTE Chip Missions program focuses on pre-competitive research projects, led by companies that pursue relevant research that proposes solutions to cross-cutting and strategic challenges of Spanish society, improves the knowledge base and technology on which Spanish companies rely to compete, and stimulates public-private cooperation.

Specifically, the general objective of the call for applications for the 2023 Chip PERTE Missions was to finance business R&D projects in the areas of: (i) microelectronic design and alternative architectures and (ii) the integrated photonics ecosystem in Spain.

In this context, 2 missions in line with the PERTE were defined, which addressed critical challenges facing the Spanish economy, focused on the development of key technological capacities in microelectronics and semiconductors that are essential to the fourth industrial revolution based on digitalization.

The minimum eligible **budget** was €3 million and the maximum was €15 million. The minimum eligible budget per company was €175,000. The weighting of the industrial research activities was at least 35%, and it was also established that at least 5% of the eligible budget had to be subcontracted to knowledge-generating centers.

The **financing instruments** have consisted of grants with a maximum intensity of 65% for Large Enterprises, 75% for Medium-sized Enterprises and 80% for Small Enterprises, and for each project and beneficiary the aid intensity was determined by the weighting of each type of activity and by the maximum intensity.

The **beneficiaries** were clusters of companies made up of a minimum of 2 and a maximum of 8, at least two of which must be independent of each other. The company representing the cluster had to be a large or medium-sized company and at least one of the partners had to be an SME.

In these projects, **eligible costs** have included personnel costs, instruments and inventories, contractual research, technical know-how and patents, consulting and equivalent services, overhead and other operating expenses, and the cost of the auditor's report. The overall cost of the activity subcontracted by the beneficiary could not exceed 50% of such beneficiary's eligible budget.

The CDTI also provides personalized advice to companies and entrepreneurs on the **financing instruments** that are best suited to their R&D&I-related needs and projects. To access this service, interested companies need to fill out an electronic form and attach to it the documentation on the project being submitted to the CDTI for its assessment (more information at its [website](#)).

3.2 TOURISM INDUSTRY

3.2.1 SUSTAINABLE TOURISM STRATEGY FOR SPAIN 2030

Against the backdrop of the European Union and the corresponding economic and social convergence, and in a competitive environment characterized by the globalization of supply and demand and business internationalization, the Spanish tourism industry is seeking to continue to strengthen its leadership position based on quality.

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Following the approval at the time of the **Horizon 2020 Spanish Tourism Plan**, which defined the strategy for preparing and adapting the Spanish tourism industry and attaining a balanced increase in the social and economic benefits of tourism, the **Sustainable Tourism Strategy for Spain 2030** is at an advanced stage of preparation, its main objective being to redefine the tourist development model so as to redirect the foundation of Spanish tourism toward a model of sustained and sustainable growth, enabling Spain to maintain its global leadership position.

In particular, this new tourism model is based on enhancing competitive capacity and profitability, protecting the natural and cultural values of the different tourist destinations and on the equitable distribution of the benefits and burdens of the tourism activity.

The Strategy proposes a tourism growth model for the coming years based on the following principles:

- Socio-economic growth, which will require work to increase the competitiveness and profitability of the sector, focusing on quality and accelerating the process of digital transformation.
- Preservation of natural and cultural value, on the basis that conserving Spain's extensive cultural and natural heritage is a priority objective.
- Social benefit, in order to ensure distribution of industry profit and tackle challenges such as rural depopulation in Spain.
- Participation and governance, supporting participative governance mechanisms between the State and competent authorities at all levels.

- Ongoing adaptation, since the goal is not only to ensure quality and make improvements, but also to enable the industry to be able to respond to a constantly changing environment.
- Leadership, with the aim of consolidating Spain's position as a worldwide leader in the industry.

To this end, according to information disclosed by the Office of the Secretary of State for Tourism entrusted with its preparation, the Sustainable Tourism Strategy for Spain 2030 will be structured around **5 strategic areas**:

1. **Collaborative governance**, with the aim of setting up participation areas for all public and private actors on the tourism stage, also increasing Spanish influence on international organizations, with the following lines of action:
 - Bolstering existing governance tools and authorizing new mechanisms that enable management among the different levels of the public authorities, the private sector and social agents.
 - Developing territorial policy, through agreements between the central government and the autonomous community governments, as well as forums for meetings between the different public authorities.
 - Increasing Spain's international influence through tourism, within the European Union, enabling it to lead the agenda, debates and legislative output, as well as in international bodies.
2. **Sustainable growth**, aiming to boost a balanced development of the industry throughout Spain, to foster the industry's

sustainability, to diversify demand and to reduce the negative externalities of tourism, through the following actions:

- Driving the balanced development of tourism in the territory, taking advantage of the country's diversity and strengthening inland tourism, paying special attention to areas at risk of depopulation.
 - Promoting sustainability as a brand value of Spanish tourism, guiding tourism activity toward the circular economy, environmental protection and clean energy use.
 - Sustaining demand by combining initiatives that enable demand to be diversified in new markets or segments in traditional markets, and developing new tourism products and digitalizing the sector. Reducing the negative externalities of tourism activity through formulas that balance society's common interest and the interests of companies and destinations.
3. **Competitive transformation** of the industry, emphasizing public-private forms of partnership, especially to foster digital transformation and the use of technological capacities, through such lines of action as:
 - Strengthening the public-private ecosystem supplying – within the scope of operations of each public or private agent – knowledge, programs and resources in this regard.
 - Deploying a digital strategy for the tourism industry, specially targeted at SMEs and destinations, with a view to adapting to the requirements of connected tourism and increasing the efficiency of local public management.

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- Developing the public standards for digital transformation, establishing a common framework acceptable to public and private players.

- Fostering the adaptation of existing regulations to the new tourism environment, through the joint work of international, national, autonomous community or local bodies and institutions.

4. Acting on the **tourist area, enterprises and persons**, protecting heritage and making progress on the construction of infrastructures and on the digitalization of all territories, while enhancing the quality and competitiveness of enterprises in the tourism industry (most of which are SMEs) and of jobs in tourism, based on actions consisting of:

- Equipping the territory with new capabilities, infrastructure and management resources, thereby enabling a solid and diverse value proposition to be offered throughout the territory.

- Boosting the quality of Spanish tourism, focusing efforts on improving competitive capacity, productivity, profitability, innovation, inclusivity and sustainability.

- Promoting higher quality tourism jobs that make it possible, through a suitable certification or qualification, to offer an environment of trust to traders and workers.

5. Working on the **tourist product, marketing and intelligence**, with a view to fostering quality tourism, the diversification of demand and the opening of new markets, with the following lines of action:

- Enhancing tourism promotion strategies differentiated according to type of source market, enabling Spain to maintain its position in its target markets, while increasing penetration into emerging long-distance markets.

- Developing a unique, dynamic and competitive value proposition, focused on serving new niches of demand by promoting products and destinations that generate added value and differentiation.

- Developing a tourism intelligence data-based model, enabling comprehensive management in decision-making through the incorporation of new data sources.

- Reinforcing the digital marketing strategy that optimizes the impact of investment in advertising.

To this end, at its plenary meeting held on October 10, 2022, the Spanish Tourism Council (CONESTUR) reached a consensus on the **eight levers or pillars** on which it proposes to base the first phase of the Sustainable Tourism Strategy described above, which notably include:

- Boosting **digitalization** aimed at cost savings, the data economy, enhanced promotion and sales and competitiveness.

- **Social sustainability**, which focuses on implementing specific actions to promote the conservation of natural environments, customs and the local traditional way of life.

- **Environmental sustainability**, which seeks to reduce the ecological footprint of the sector.

- Enhancing **connectivity, intermodality and tourism mobility** to improve the visitor's experience and respond to environmental challenges.

- **Innovation in tourism experiences and products.**

- **Recruiting, training and retaining talent** to boost the human factor as a key element of the tourism experience.

- **Adaptation of different tourist destinations** (mature, consolidated and emerging destinations) to plan and better manage the different needs of each one.

3.2.2 PLAN FOR MODERNIZATION AND INCREASED COMPETITIVENESS OF THE TOURISM SECTOR

The Plan for Modernization and Increased Competitiveness of the tourism sector constitutes one of the specific structural components of the National Recovery and Resilience Plan (which we will refer to in greater detail below) and falls under the policy for "Modernization of the industrial infrastructure and of SMEs, recovery of tourism and promotion of Spain as an entrepreneurial nation".

The Plan's objective is to transform and modernize the Spanish tourism industry through sustainability and digitalization, thereby increasing its competitiveness and resilience.

The component is structured around **four major pillars**:

1. Transformation of the tourism model towards sustainability (environmental, socio-economic and territorial).

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The first pillar, with a budget of approximately €1.904 billion, places a particular focus on **Tourism Destination Sustainability Plans**, designed as an instrument for cooperation between the three levels of public government (central, regional and local) and the private sector.

Its objective, through the provision of adequate funds, is to carry out **transformative actions in the tourism industry** in the areas of green transition, digital transition and improving tourism competitiveness. By centering the program around destinations, each destination is configured as a tourism innovation hub, taking into account its special characteristics and specific ecosystem. In order to meet this objective, the approval of a **Tourism Destination Sustainability Strategy** is envisaged, setting out the conditions for participation by the regional and local public governments, the minimum investment thresholds, the procedure for submitting proposals, and the rules for their approval, execution and justification.

Another of the initiatives included under this pillar is the **Transformation of the Spanish Tourism Quality System for tourism destinations (SICTED) into a Comprehensive Tourism Sustainability System**. Specific actions envisaged include, among others, the design, development and implementation of a technological platform to manage SICTED certification programs with a view to developing new capabilities, certification, continuous improvement and planning processes, and providing assessment, advisory and certification services to SICTED members.

2. Digitalization and intelligence program for destinations and the tourism sector.

This pillar notably includes the **Tourism Destination Digital Transformation Plan** (with an estimated budget of €157

million) which aims to promote the development of **new tools for the Smart Tourism Destination Network** created by the Office of the Secretary of State for Tourism in collaboration with the State-owned company for the management of tourism innovation and technologies (SEGGITUR). The aim is to develop a smart destination platform to provide an interactive interface for public and private services offered to tourists. A platform that enables all agents to engage with tourists in a smart, digital and scalable way.

Also included within this pillar is the **Plan for the Digital Transformation of Tourism Companies using AI and other enabling technologies** which contemplates the following actions, among others: (i) creation of an industrial data space to support the digital transformation of the tourism industry towards the intensive use of big data and artificial intelligence, (ii) development of an “app store” style public-private collaborative environment, in which open-source digital solutions geared towards the tourism industry will be developed, targeted at the different companies in the sector, and (iii) “last mile” funding calls directed at companies, particularly SMEs and associations or entities associated with the sector.

3. Tourism resilience strategies for non-mainland territories.

This pillar proposes **a set of actions specifically designed for the autonomous communities of the Balearic Islands and the Canary Islands**, since these regions, due to their high dependence on tourism, have been some of the worst affected by the drop in visitors due to the pandemic, with the correlative impact in terms of employment and GDP.

Special measures are also proposed to consolidate tourism and related services as stable sources of income and to

stimulate the economic sectors of the Autonomous Cities of Ceuta and Melilla.

4. Special actions in the field of competitiveness.

Finally, this last pillar includes other initiatives, such as (i) development of **new tourism experiences** with a view to greater diversification of the tourism offering (all through the Spanish Tourism Strategy), (ii) the **financing of energy efficiency and circular economy projects** (reduce, reuse, recycle) **at tourism companies**, (iii) the **financing of sustainable projects for the maintenance and rehabilitation of heritage tourism sites**, and (iv) bolstering commercial activities in popular tourist areas.

3.3 AUDIOVISUAL INDUSTRY

One of the priority objectives of Cinema Law 55/2007 is to bolster the promotion and development of the production, distribution and showing of films and audiovisual works, as well as to establish terms favoring their creation and dissemination and to adopt measures for the preservation of film-making and audiovisual heritage.

Apart from the tax incentives applicable to the film-making industry, the following are some of the main incentives included in the Cinema Law and in Royal Decree 1084/2015, of December 4, 2015, which approves its regulatory implementation (amended by Royal Decree 175/2023), as well as, among others, (i) in Order CUL/2834/2009, of October 19, 2009, approving the acknowledgment of film costs and producers' investments, establishing the regulatory bases for the State aid and structure of the Administrative Register of Cinematographic and Audiovisual

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Enterprises (still partially applicable), (ii) in the subsequent Order CUD/769/2018 of July 17, 2018, updating the regulatory bases for the aid envisaged in Title III of the Cinema Law, (iii) in Order CUD/582/2020, of June 26, 2020, devoted specifically to regulating State aid for the production of feature films, as well, among others, (iv) in Order CUD/508/2021, of May 25, 2021, approving the regulatory bases for the grant of aid for film distribution, the latter two having been amended by Order CUD/553/2023.

In general, motion pictures or other audiovisual works, including those made under the regime for co-production with foreign companies, which intend to benefit from these incentives, must either have Spanish nationality or be in a position to obtain it by meeting the requirements for access to Spanish nationality

pursuant to article 5 of Law 55/2007, of December 28, 2007. In this connection, works made by a Spanish production company or a production company from another EU Member State established in Spain, which had previously obtained the appropriate certificate from the competent body, are deemed to have Spanish nationality.

In the case of works made under the regime for co-production with foreign companies, incentives are available only to the Spanish co-producer or co-producer with registered office or permanent establishment in Spain, for the Spanish participation in the co-production.

In fact, one of the obligations imposed, in general, on all beneficiaries is to have their legal residence or establishment in Spain at the time of the actual receipt of the aid.

When the eligible activity is to be carried on jointly by various legal entities, in order to obtain the status of beneficiaries they must form a grouping of companies that will act through a designated representative entity with the capacity to act in the name and for the account of all members of the grouping, not only for the purpose of submitting the aid application and the supporting documentation, but also for the performance of the obligations resulting from the grant of the aid and its justification. The grouping can therefore not be dissolved until the statutes of limitations on recovery action and on the infringements envisaged in the General Subsidies Law have lapsed.

The structure of the aid system is, in brief, as follows:

CREATION AND DEVELOPMENT		
Line of aid	Eligible for aid	Maximum amount (€)
Scriptwriting of full-length motion projects ¹⁰	Projects for the preparation of full-length motion picture scripts which comply with the terms of the call for aid applications and are evaluated on the basis of certain criteria (i.e. originality and quality, the film's viability, etc.).	€40,000 per project.
Development of full-length motion picture projects	The expenses need to develop the projects (improve the script, search for locations, identification of cast, initial sales plans, etc.). Projects that have received aid at the script writing stage will be given preference.	It is established in each call but it cannot exceed €150,000, provided that such amount does not exceed 50% of the budget for developing the project or of the producer's investment. The cost of the aid will be discounted from the cost of the motion picture when determining the producer's investment.

¹⁰ | However, it should be noted that in 2024 no calls were published for lines of aid linked to scriptwriting for full-length motion projects or for the development of full-length motion picture projects regulated under articles 19 and 25 of Order 2834/2009, of October 19, 2009.

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PRODUCTION		
Line of aid	Eligible for aid	Maximum amount (€)
Production of full-length motion pictures projects ¹¹	General. ¹² Financing for the cost of producing projects that meet the general requirements to qualify for beneficiary status (residence or establishment, suitability, ownership of the property rights to the audiovisual work produced, relations with creative, artistic and technical staff compliant with applicable rules, reservation quotas, etc.) and that meet the requirements and conditions established by the common rules for general and selective aid (proof of cultural nature by obtaining the relevant certificate, proof of a certain amount of financing, universal accessibility measures, etc.).	The maximum amount of the aid per project will be established in the call, within the annual credit allocated to the aid, which can be up to €1,400,000, provided that this amount does not exceed 40% of the cost acknowledged to the full-length motion picture by the Institute of Film-making and Audiovisual Arts (<i>Instituto de Cinematografía y de las Artes Audiovisuales</i> or ICAA) ¹³ . A minimum of 35% will be reserved for projects directed exclusively by women and a minimum of 8% of the total budget will be reserved for animation projects, in both cases, provided that they attain the minimum points established in the call. The part of the credit not used, if any, will again be transferred to the general line.
	Selective. ¹⁴ Financing for projects (i) of special cinematographic, cultural or social value, (ii) for a documentary, (iii) made by new film makers, (iv) or of an experimental nature. In addition to meeting the general requirements to qualify for beneficiary status and the requirements and conditions established by the common rules for general and selective aid mentioned above, the projects must evidence a minimum percentage of financing and points. In the specific case of experimental projects, they are subject to certain requirements in connection with the maximum budget, demonstrable experience, and the percentage of the expense which impacts Spain.	Each call for aid applications will stipulate the maximum amount of the aid per project which, within the annual credit used for them, can be up to €800,000, or €1 million in the case of an animation project. Within the annual credit reserved for this line, a minimum of 35% will be allocated to projects directed exclusively by women and not less than 10% and not more than 25% will be allocated to projects for a documentary. Furthermore, a minimum of 8% must be reserved for animation products, and up to 10% may also be reserved for experimental projects and a minimum of 5% for coproductions with foreign companies in which the Spanish stake is a minority stake. These reservations will be implemented provided that the projects attain the minimum points established by the call for aid applications. The portion of the credit that remains unused will be transferred to the general line. In the case of experimental projects, the maximum amount of the aid per project can be equal to the percentage of the cost acknowledged by the ICAA related to the applicable maximum intensity.
	Production of TV movie and documentary projects ¹⁵ Production of films and documentaries for projects belonging to independent producers of TV movie and documentary projects which are longer than 60 minutes and shorter than 200 minutes, and which are not to be shown in movie theaters, provided that, among other requirements, they are filmed on photochemical medium or high definition digital medium. For a project to be eligible for aid, there must be a contract or a statement of interest in the project from one or more radio or television broadcast service providers.	It will be determined in each call, although its amount will be calculated by applying the appropriate percentage, according to different tranches, to the amount of the budget (which cannot be less than €700,000), with maximum annual credit of €300,000, provided that such amount does not exceed the producer's investment or 50% of the budget.

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- ¹¹ The call for general aid for the production of full-length motion pictures based on project plans for 2024 took place by means of the Decision of June 14, 2023, with a budgetary allocation of €40. As of the writing of this Guide, the call for 2025 has yet to be published.
A project that has been a beneficiary of previous calls for applications under this line may not apply for this type of aid, unless the beneficiary enterprise expressly renounced the aid before receiving it or repaid it voluntarily, having done so, in any case, before the start of the period stipulated for the submission of applications in the corresponding call.
- ¹² The general aid for the production of full-length motion pictures is incompatible with the selective aid for the production of full-length motion pictures based on project plans (which is described below). A project can only receive aid under 1 of these 2 lines within the same budgetary year.
- ¹³ The payment of subsidies granted under this line envisages payment at two points: (i) 70% of the aid will be paid in the financial year of the relevant call and (ii) 30% will be paid in the financial year following that of the corresponding call once at least 80% of the financing for the project has been accredited and it has been demonstrated that at least 50% of the price of the script has been paid.
- ¹⁴ By Resolution of the Director General of the ICAA of May 31, 2024, the call for proposals for that year was approved, with an estimated budget of €15 million. At the time of writing this Guide, the call corresponding to 2025 has yet to be published.
A project that has been a beneficiary in previous calls in that line of aid may not apply for a call for this type of aid, unless the beneficiary company has expressly waived said aid before receiving it or has voluntarily returned it and, in any case, before the deadline for submitting applications for the relevant call for applications has begun.
- ¹⁵ However, according to the information available, the ICAA has not published any call for the lines of aid for the production of TV movies and documentary projects based on project plans or for the production of animated series based on project plans (to which we refer below) for the past several years. No calls are expected to be published in 2025 either.

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PRODUCTION

Line of aid	Eligible for aid	Maximum amount (€)
Production of animated series projects	Projects belonging to independent producers of animated series. For the project to be eligible for aid there must be a contract or a statement of interest in the project from radio or television broadcast service providers at the state, autonomous community or EU level.	It will depend on each call, but it cannot exceed €500,000 for budgets exceeding €2,500,000, and €300,000 for budgets of lower amounts. In both cases, said amounts cannot exceed the producer's investment or 60% of the budget.
Production of short films¹⁶	Short film projects and short firms made by independent producers, according to the score obtained from an evaluation committee or a collective body. The award of this aid is conditional on accreditation of the cultural nature of the projects.	Its amount can be equal to the percentage of the cost acknowledged by the ICAA related to the applicable maximum aid intensity. Aid for the production of short firms based on project plans is compatible with that for completed short films, up to the maximum ceiling of €10,000 per beneficiary film or €180,000 in the case of animation films. Within the annual credit allocated to this type of aid, a minimum of 35% will be reserved for short films directed exclusively by women and a minimum of 8% for animation films.

¹⁶ The calls for applications for aid for the production of short films based on project plans and of short films made for 2024 were published by the ICAA Decisions of May 13 and 21, respectively, with a budgetary allocation of €2,200,000 (in the former case) and €800,000 (in the latter case). As of the writing of this Guide, the call for 2025 has yet to be published, although it can be presumed that its features will not change significantly.

OTHER AID

Line of aid	Eligible for the aid	Maximum amount (€)
Distribution of Spanish, Community or Latin American films¹⁷	Independent distribution of full-length films and series of short films, mainly in their original versions, where, in the case of foreign films, less than 2 years have elapsed since their commercial release in the country of origin (in the case of a series of short films, at least 70% of the films making up the series must meet this requirement), which, in general, were destined for distribution in movie theaters with a minimum territorial scope, their opening complying with the conditions established in the call. The films that are the subject of the application must include, as universal accessibility measures, special audio description and subtitling systems that meet the relevant UNE standards.	The aid may subsidize up to 50% of the cost of the making of copies, subtitling and dubbing, advertising and promotional expenses, anti-piracy measures, the technical means and resources invested in order to make the films universally accessible to persons with disabilities and the technical means and resources invested for their sustainability. For the purpose of this aid, the aforesaid costs cannot be subsidized where they have been acknowledged, in whole or in part, as an expense attributed to the producer. Although the maximum amount of the aid to be granted is set in each call, it cannot exceed €200,000 per full-length beneficiary film or group of short films. In addition, the amount received by a distributor (or a set of related distributors) within the same budgetary year cannot exceed 20% of the amount to be used in said year for this line of aid.

¹⁷ The call for applications for aid for the distribution of EU and Latin American full-length films and series of short films for 2025 was published by the ICAA Decision of December 18, 2024 (the deadline being February 21, 2025).

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OTHER AID

Line of aid	Eligible for the aid	Maximum amount (€)
Distribution of Spanish, EU and Latin American films¹⁸	To boost the marketing of Spanish movies abroad to give the film industry a greater international presence. They are aimed at independent international sales agencies that are not majority owned by a non-EU company or by a provider of audiovisual media services or by a media group or have public capital. Such agencies must be entered in the ICAA Register of Cinematographic Enterprises and must have acquired the international sales rights to the movie under a contract or agreement signed with the producer of the film.	The maximum amount per film is €100,000 and in each case cannot exceed 50% of the eligible expenses (which, although they will be set in the call, may include advertising and promotion expenses, as well as expenses incurred in acquiring and renting a market stand).
For promotion	To boost the international presence of the Spanish film industry and audiovisual production, for which support is provided both to completed Spanish films and other audiovisual works, and to Spanish projects that are still in the pipeline or preproduction phases (including co-productions although the Spanish participation must be at least 20%) that have been selected to participate in one of the events that are listed in the relevant call (including not only international festivals but also markets, forums, laboratories, or residences). Applications may be submitted by production companies, distributors or sales agencies that have incurred expenses associated with the participation of the audiovisual work in the event. Organization and holding by individuals or legal entities acting as promoters of film festivals or competitions of recognized prestige in Spain, and which devote special attention to the programming and dissemination of Spanish, EU and Latin American cinema, animated films, documentaries and short films, provided that at least two consecutive editions of those festivals or competitions have been held in the 3 years preceding the date of publication of the call for aid applications.	Each call will establish the eligible expenses incurred by the applicant, among those inherent in the participation of the cinematographic or other audiovisual work, completed or in the pipeline. These include, among others, registration expenses, advertising campaign expenses (which must cover a minimum percentage of the maximum amount of aid envisaged for the event in question), promotional material expenses, expenses relating to teasers or trailers for presentation at the event, copy expenses, expenses incurred to hire public relations firms or press agencies exclusively to perform a job specific to the event, travel expenses for the authorial, creative or artistic team of the film, etc. The aid may subsidize, up to the legally established limit, the expenses listed in the call relating to the preparation, organization, operation and promotion expenses of the festival or competition, as well as the technical means and resources invested to foster universal accessibility and the twin green and digital transition of the festival or competition. The amount of the aid will be determined in each call for aid applications and may not exceed €250,000.

¹⁷ The call for applications for aid for the distribution of EU and Latin American full-length films and series of short films for 2025 was published by the ICAA Decision of December 18, 2024 (the deadline being February 21, 2025).

¹⁸ In 2023, the call for this line of aid was published by means of the ICAA Decision of December 12, 2023, with a budgetary allocation of €1 million. According to the available information, no call has been published for this line since 2023.

¹⁹ The call for applications for the 2023 financial year for this line of aid was approved by Resolution of the President of the ICAA on 13 March with a budget of €800,000. According to the available information, no call has been published for this line since 2023.

²⁰ The 2023 call for applications for this line of aid was approved by Resolution of the President of the ICAA on 14 March and has a budget of €1.9 million. At the time of writing this Guide, the call corresponding to 2024 has yet to be published. According to the available information, no call has been published for this line of aid since 2023.

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In addition to the above catalog of aid, the ICAA is authorized to set up cooperation agreements with banks and other credit institutions with a view to facilitating and extending the financing of production, distribution and projection activities, technical industries and the video-making sector and for the development of infrastructures or the technological innovation of those sectors.

This financing alternative is materialized in various types of aid:

- Aid for reducing interest on loans granted for production aimed at facilitating cinematographic production activities for production companies which had not received aid for the production of full-length motion picture projects.
- Aid for reducing interest on loans granted for distribution and dissemination as film, video and via internet, or the technological renewal of these sectors.
- Aid for reducing interest on loans for the financing of film projection and post-production infrastructures used by enterprises, laboratories, studios and the production and post-production technical industry.

3.4 OTHER SPECIFIC INDUSTRIES

3.4.1 MINING

3.4.1.1 AID FOR RISK PREVENTION AND MINING SAFETY

The regulations governing aid to the mining sector in the area of risk prevention and mining safety are set out in Order TED/1079/2020, of November 11, 2020, establishing the specifications in the context of native and sustainable mining.

The aim of the subsidies regulated in this Order is to encourage the development of projects related to mining safety (from the standpoint of investment and training) carried out by interested non-profit enterprises and entities, for the purpose of helping to reduce mining accidents in Spain, thereby effectively fostering, by extension, both the green transition process and the process of combating the demographic challenge.

The call for aid applications for projects and actions under the aforesaid Order for the year 2024 was made in the Decision of November 14, 2023, of the Secretariat of State for Energy and it has a budget of €1.65 million. The call for 2025 has yet to be published.

According to the provisions of said Order TED/1079/2020, this aid is available for projects carried out in Spain in the area of mining and targeted at the areas of (i) significant investments in mining safety, including projects aimed at improving health and safety in mining sties, benefit mines and tunnels or galleries in the excavation phase, or (ii) training programs in mining safety, specifically, those aimed at providing face-to-face training to the personnel of entities subject to the Regulations on Basic Rules for Mining Safety.

Potential **beneficiaries** of this aid include SMEs that hold the title to the mining public domain to which the project relates or the authorization from the mining authority for the execution project for tunnels or galleries in the excavation and shoring phase, provided that they are not affected by Council Decision of December 10, 2010 on State aid to facilitate the closure of uncompetitive mines (Decision n° 2010/787/EU). Non-profit institutions can also be beneficiaries of this aid, in which case they will not have to hold the title to the mining public domain, it being sufficient for them to provide evidence that they have a lawful interest relating to the mining activity and that they meet the requirements laid down by the above-mentioned Order.

The aid granted under a competitive procedure and its **amount** will consist of a percentage of the approved eligible investment and varies according to the following scheme:

- **Aid for significant investments in mining safety.** Only SMEs can qualify for this aid, although the maximum aid intensity will vary depending on the specific type of SME in question. In the case of micro and small enterprises, the intensity can be up to 20% of the eligible costs, whereas in the case of medium-sized enterprises, it cannot exceed 10%, subject to a minimum amount of €12,000 for the aid granted.
- **Mining safety training projects.** Only non-profit institutions can apply for this aid. The intensity of the aid may be up to 100% of the cost of the approved eligible investment, tied to hours of instruction evidenced and to the performance of complete courses presented in the project. In any event, the maximum amount granted to a project of this kind is €65,000 per application, whereas its minimum amount is set at €4,000. As limits on this line, it should be noted (i) that the maximum number of eligible hours is 8 hours per course, with a mandatory minimum of 3 hours, and (ii) the maximum permissible cost per worker and hour, and the total cost per worker set in each annual call for aid applications may not exceed €350 under any circumstances.

3.4.1.2 ACTION FRAMEWORK FOR COAL MINING

The series of measures in support of this industry is set out in the Framework Agreement for a Fair Transition in Coal Mining and the Sustainable Development of Mining Areas for 2019-2027 (Framework Agreement), executed between the Ministry for Ecological Transition and the Demographic Challenge and the labor union and employer representatives from the sector.

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This Framework Agreement bears in mind the current situation of the Spanish mining industry following the end of the aid granted to cover losses in the mines pursuant to EU requirements and in line with the current energy transition process.

Thus, the main objectives of this Framework Agreement are as follows:

- i. To reactivate economic growth and **encourage alternative development in mining areas** in order to achieve their structural transformation, economic recovery and social welfare.
- ii. **To increase the flexibility of the conditions laid down for businesses that wish to continue to extract coal as from 2019** and that have to return the aid received in accordance with the above-mentioned Decision 2010/787/EU on State aid aimed at facilitating the closure of uncompetitive coal mines.
- iii. **To maintain lines of aid to encourage the creation of business projects aimed at generating employment** and providing support for the creation of related infrastructures that enable workers that have become unemployed due to the closure of the mine to regain employment.
- iv. To design **specific measures to train workers** in the coal mining industry and maintain aid that helps to cover the exceptional costs linked to closure set forth in EU legislation.

Against this backdrop, the Framework Agreement establishes the following principal lines:

1. Aid for exceptional costs incurred by coal businesses:

This line of aid, in force for the 2019-2025 period, is directed at mining companies included in the Spanish Plan for the Closure of Uncompetitive Coal Mines in accordance with the aforesaid Decision 2010/787/EU.

It includes 2 types of aid:

a. Social aid for workers in coal production units.

This aid have already been specifically implemented by Royal Decree-Law 25/2018, of December 21, 2018, on urgent measures for a fair transition of the coal mining industry and the sustainable development of coal mining areas (amended by Royal Decree-Law 27/2021, of November 23, 2021, which extended to 2025 the social assistance for labor costs of workers affected by the closure of coal mines and employed in environmental restoration efforts) and, where not expressly regulated in this law, by Royal Decree 676/2014, of August 1, 2014, establishing rules on aid due to employment costs aimed at covering exceptional costs related to plans for the closure of production units in coal mining businesses.

In particular, Royal Decree 676/2014 sets forth the direct grant of aid to companies that are pursuing or have pursued an activity related to coal production, to enable them to cover certain costs incurred on termination of their workers' employment contracts as a result of the closure of coal production units used for the generation of electricity included under the national Closure Plan.

The purpose of this aid is to alleviate the social and regional consequences of the closure of mines and is projected to cover labor costs for older workers and compensated resignation.

In addition, the Framework Agreement provides for other social aid aimed at workers affected who do not meet the requirements to access the above-mentioned aid.

b. Aid of an exceptional nature aimed at covering the costs of closure of the production units and offsetting the environmental impact.

The Framework Agreement implements this aid in order to cover the work or measures included in the restoration plans that have been authorized in advance by the competent mining authority. Eligible for this aid are mining companies that have requested authorization to carry out, as applicable, the project to definitively abandon the facilities or the project for the definitive closure of the facilities, and which meet all other statutory requirements to be able to qualify for this aid.

The Framework Agreement also includes the possibility of adopting measures in support of workers in the industry that continue mining after December 31, 2018 in the production units of the companies included in the Spanish Closure Plan and which intend to close between 2019-2025.

Other measures are also established for workers in the industry such as (i) the performance of restoration activities, (ii) inclusion in job vacancy services, or (iii) the grant of social aid for workers in processes of reviewable total disability.

For example, as regards the above-mentioned restoration activities, it is worth noting Royal Decree 341/2021, of May 18, 2021, regulating the direct grant of aid for the environmental restoration of areas affected by the energy transition in the context of the Recovery, Transformation and Resilience Plan relating to projects for areas degraded as a result of coal mining, in the Autonomous Communities of Asturias, Aragón and Castilla y León. The Royal Decree seeks to mitigate the difficult labor and social situation in these areas as a result of the closures, by promoting the maintenance of employment, in particular of surplus miners and employees of ancillary enterprises and the creation

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of economic activity in these territories, thereby contributing to the maintenance of the population and the creation of jobs in the short term.

Actions that are implemented from the time the subsidy is formalized under the agreement or the related addendum through to May 31, 2026 – so that the milestones and targets can be certified before August 31, 2026, in accordance with Regulation (EU) 2021/241 of the European Parliament and the Council of February 12, 2021 – will be eligible.

2. Measures to revive mining areas aimed at financing new business facilities and extending existing ones.

Individuals who pursue the activities on which the grant of this aid is based in the areas affected by the restructuring and modernization of the coal mining industry qualify for this aid. Specifically, investment projects which generate employment in the area of economic activity that may receive aid, are eligible for finance, provided the following conditions are met:

- i. Business projects with an investment in excess of €100,000, which undertake to create 3 or more job positions, and which also meet the other requirements of the Framework Agreement.
- ii. Aid to small investment projects under the following conditions:
 - Minimum amount of €30,000 and a maximum of €500,000, with minimum undertakings to create employment.
 - Fall within any of the economic activities that are eligible for finance, provided that they are carried

out in any of the municipalities included in the territory covered by the Closure Plan.

iii. Aid for alternative development in mining areas.

Infrastructures located in the municipalities affected by closures of the coal mining industry are eligible for this aid.

At present, aid aimed at boosting the development of mining areas is regulated by Royal Decree 675/2014, of August 1, 2014, regulating the direct grant of aid aimed at fostering the alternative development of coal mining areas, through the development of infrastructure projects and restoration projects in areas that have been degraded as a result of mining activities (amended by Royal Decree 334/2023 of May 3, 2023).

Autonomous communities, municipal councils and other local entities included in the geographic area of the Royal Decree, in accordance with Annex I of same (i.e., the above-mentioned territories of Aragón, Castilla-La Mancha, Castilla y León, and Asturias), are eligible for this aid.

Actions financed with funds from the Recovery, Transformation and Resilience Plan can only be carried out in municipalities and territories in just transition zones.

The timeframe envisaged for this aid is until 2027.

With the aim of achieving the objectives proposed and implementing the measures established in the Framework Agreement described above, the following Orders have been published:

1. Order TED/1239/2022, of December 14, 2022, approving the specifications for the grant of aid aimed at small investment projects that create or maintain jobs, fostering the alternative development of just transition areas, for the 2022-2027 period.

The **aim** of this aid is to encourage individuals and entities to locate small business investment projects in areas affected by the closure of coal mines, coal-fired power plants and nuclear power plants as well as their surroundings, with the ultimate goal of generating alternative economic activities in such areas so as to create new jobs or maintain existing ones to foster the development of the area, in view of their status as disadvantaged regions.

The aid will be granted under a competitive procedure and has the following **beneficiaries**: private individuals or legal entities, as well as the groupings of which they form part, tenancies in common and self-employed workers that are going to undertake small business investment projects that create or maintain jobs and are located in the municipalities in any of the just transition areas that appear in the General Action Guidelines for the design of the Just Transition Agreements established between the Ministry for Ecological Transition and Demographic Challenge, the relevant departments of the Autonomous Communities and the Spanish Federation of Municipalities and Provinces, as well as in the Just Transition Agreements that are signed pursuant to the provisions of article 28 of Law 7/2021, of May 20, 2021, on climate change and the energy transition and listed in Schedule I to the above-mentioned Order²¹.

²¹ Specifically, 197 municipalities included in the 15 Transition Agreements signed up to that point, namely: Carboneras, Puente Nuevo-Valle del Guadiato and Los Barrios in Andalucía, Aragón, Southwestern Region, Valle del Nalón, and Valle del Caudal and Aboño in the Principality of Asturias, Bierzo-Laciana, Montaña Central Leonesa-La Robla, and Guardo-Veilla, in Castilla-León, Meirama and As Pontes in Galicia, Alcudia on the Balearic Islands, Zorita in Castilla-La Mancha, and Garoña in Castilla-León-Basque Country.



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The aid regulated is supplemental to and compatible with other state aid granted by other public authorities, provided that the maximum amount of all the aid does not exceed the projected cost of the investment. In the event of an accumulation of aid received by a project, the overall amount that is considered “de minimis” may not exceed the maximum limit of €200,000 during any period of 3 fiscal years or the period that is stipulated in each call for aid applications.

Projects that apply for aid must meet the following **requirements**:

- The work of the project can have started up to a year before the date of the aid application. For these purposes, start of the work means the start of the actual construction under the investment or the first firm commitment to order equipment or any other commitment that makes the investment irreversible.
- The eligible investment must be at least €30,000 and up to a cap of €500,000, and the execution of the minimum investment envisaged must be guaranteed at all times.
- The level of employment existing at the enterprise must remain the same from the date of the aid application, and for at least the 3 years following the deadline for completing the investments. However, for newly created enterprises or enterprises that do not have an initial workforce on the application date, as a minimum requirement they must create a job between the aid application date and the deadline established in the decision granting the aid. The job must be maintained for at least 3 years.
- Comply with the maximum completion period set in the relevant call.

The aid will take the form of a non-repayable grant and cannot exceed the cap of €200,000 if granted to a single enterprise, during any period of 3 fiscal years or the period that is force in each call according to the criteria set by the European Commission. In determining the amount of the aid (in gross grant equivalent terms), projects that are located in the municipalities listed in Schedule I to the Order may receive a grant of up to 30%, 40% or 50% of the eligible investment²², depending on whether it is a large enterprise, medium-sized enterprise or a small enterprise (including micro enterprises).

2. Order TED/1240/2022, approving the specifications for the grant of aid aimed at business projects that create jobs, fostering the alternative development of just transition areas, for the 2022-2027 period.

The **aim** and the scope of application of the aid regulated under this Order are, generally speaking, the same as those established by Order TED/1293/2022 described in the preceding section, although with the difference that the projects are not required to be small in scale.

Job creating business investment projects belonging to all of the economic activities that qualify to receive aid in accordance with the applicable Spanish and EU legislation, except for the steel, shipping, coal, transportation, etc. industries, are eligible for the aid. Investments related to the production, processing, transport, distribution, storage or combustion of fossil fuels, or waste incineration, among others, are also excluded²³.

The municipalities where the projects are located must appear in the national regional aid map approved for Spain for the 2022-2017 period²⁴.

In the case of aid for projects by large enterprises, and for a fundamental change in the production process, the eligible costs must exceed the depreciation of the assets linked to the activity to be modernized in the course of the preceding 3 fiscal years. For aid awarded for a diversification of an existing establishment, the eligible costs must exceed by at least 200% the book value of the assets that are reused, as registered in the fiscal year preceding the start of works.

The **requirements** imposed on the projects are similar to those laid down in Orden TED/1239/2022, albeit with some special features:

- The work cannot have started before the date of submission of the aid application.
- The eligible investment must be at least €100,000, and the execution of the investment must be guarantee at all times.
- Projects to which aid relates must create at least 3 jobs between the aid application date and the deadline set in the grant decision, and the jobs must be maintained for at least 3 years.

²² For these purposes, an eligible investment will consist of the result of adding together the following items: (i) acquisition of land for the implementation of the project (if subsequent to the application), (ii) utility extensions and connections, (iii) development and external work in line with the needs of the project, (iv) civil engineering (construction or renovation of buildings), (v) acquisition of capital goods, (vi) planning work, project engineering and project management of the work, (vii) other investments in fixed tangible assets, and (viii) intangible assets.

²³ Projects entailing activities included within Divisions 5 and 6 of Class 7.21 of section b of the National Classification of Economic Activities (CNAE) are also excluded.

²⁴ In the case of projects submitted by large enterprises and that are located in one of the a) areas of the approved regional aid map (i.e. the Canary Islands, Andalucía, Extremadura, Ceuta and Melilla), only aid for initial investments will be granted, whereas in the case of projects located in c) areas, it must be an initial investment in favor of a new economic activity in the area in question.

- All projects to which aid relates must be executed and have paid at least 15% of the investment considered eligible before the end of the 9 months following the date of notification of the final decision approving the aid requested for the project.
- For financing purposes, (i) at least 25% of the total of the eligible costs must be financed by the beneficiary with equity or external financing, free from any type of public aid, and (ii) the enterprise or beneficiary must evidence a financial contribution, via equity or external financing, entailing at least 5% of the envisaged investment costs.
- They must be executed within the maximum time period set in the relevant call.

The aid will take the form of a non-repayable grant and its amount will be determined according to criteria similar to that described above for Order TED/1239/2022, and the maximum aid intensity limits established in the 2022-2027 regional aid map for Spain depending on the municipalities comprising the applicable territorial scope of this aid scheme may not be exceeded.

Under the Order TED/1294/2020 that concerns us, the Office of the Head of the Just Transition Institute issued its Decision of December 21, 2023, calling for applications for aid targeted at business projects that generate employment and promote alternative development in mining areas, for the year 2023, with a maximum amount of €24 million.

Likewise, pursuant to Order TED/1240/2022, the Office of the Head of the Just Transition Institute issued its Decision of March 3, 2023, calling for applications for aid targeted at business projects that generate employment and promote alternative development in just transition areas for the year 2023, with a total budget of €40 million.

3.4.2 INDUSTRIAL INVESTMENT

The process of adapting certain traditional industrial sectors to new forms of production, against a backdrop of processes to rationalize and modernize the business segment, has caused severe losses in the productive fabric and a significant elimination of jobs.

In an effort to mitigate and, to the greatest extent possible, avoid such noxious effects on the industrial fabric as a whole and, in particular, on the areas most affected by the aforesaid adaptation process, the Ministry of Industry and Tourism has been launching support initiatives with a view to promoting, regenerating or creating the industrial fabric.

Against this backdrop, the Program for Reindustrialization and Strengthening of Industrial Competitiveness (**the REINDUS Program**) had been the specific instrument of financial support for the development of strategic industrial sectors until its last call for applications for the year 2020. Currently, it is the **Productive Industrial Investment Support Fund (FAIIP)**, created by means of additional provision 57 of Law 11/2020, of December 30, 2020, on the General State Budget for 2021 and managed by the state-owned company SEPI Desarrollo Empresarial S.A. SME or SEPIDES (www.sepides.es) which has been accomplishing similar aims, namely, that of fostering industrial development, strengthening competitiveness and maintaining Spain's industrial capacities.

The FAIIP currently has a budget of more than €1.9 billion, although as indicated in the law creating it, the maximum amount of operations that may be approved by the Fund's Evaluation, Monitoring and Oversight Committee during the respective calendar year will be indicated in the respective General State Budget Laws²⁵.

The potential beneficiaries are **any commercial company or cooperative** (not belonging to the public sector) formed with a registered office and establishment in Spain, which pursues or is going to pursue an activity consisting of industrial production and industrial services²⁶, regardless of its size²⁷, and which must submit an application for financing via the Fund's website (https://www.sepides.es/fondo_faiip).

The financial support that these projects could receive, in general, is instrumented through **long-term loans**, with the following **types of actions eligible for financing**:

- **Creation of industrial establishments, that is, actions aimed at starting up a new production activity anywhere in Spain.**
- **Relocation of industrial establishments**, which involves actions aimed at changing the location of a prior production activity to anywhere else in Spain.
- **Improvements and/or modifications of production lines**, that is, investing in equipment that enables the modernization

²⁵ During 2023, the FAIIP's Evaluation, Monitoring and Control Committee resolved that the €1.5 billion allocated by the General State Budget Law applicable to all operations corresponding to that calendar year would be distributed among (i) ordinary loans (up to €1.125 billion, i.e. 75% of the total), (ii) participating loans (up to €300 million, 20% of the total) and (iii) equity interests (up to €75 million, the remaining 5%). However, the latest published Resolution (January 21, 2025) does not include any mention of the distribution applicable during this year.

²⁶ For these purposes, it is considered an activity of industrial production or industrial services if the project falls under section C Divisions 10 to 32 of the National Classification of Economic Activities (CNAE 2009) among others listed in section 2 of the Handbook of the Support Fund for Industrial Production Investment.

²⁷ And unless they are subject to any of the prohibitions against becoming a beneficiary of public subsidies under the terms described in section 2 of the FAIIP Manual available to interested parties on the website www.sepides.es

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of existing production or process lines or which generates the implementation of new production or process lines, in industrial establishments that are already in production at the time of the application, expressly including the productive implementation of technologies from the “Connected Industry 4.0” and of actions in the lines aimed at environmental sustainability (reduction in greenhouse gas emissions, reduction in vulnerability to climate change impacts, pollution prevention or introduction of the circular economy in the production process).

Merely replacing the machinery and/or part of the components or auxiliary production elements, as well as repairs and maintenance and the acquisition of companies are excluded from these definitions.

Projects of the above kind must be technically viable according to the state of the art at industrial scale.

Projects **must be located in Spain** and must be new projects. However, the FAAIP permits projects that started prior to the date of submission of the application under certain conditions (i.e. only budget items executed up to a maximum of 9 months prior to the date of submission of the application will be eligible for financing). In the case of projects that start after the application date, the investments must start within a maximum period of 12 months and must not last more than 2 years after the financing agreement is formalized.

The **financing under the Fund is purpose-determined in nature**, so it is conditional on the actual implementation of the project submitted. In particular, the beneficiary must use the assets acquired to pursue the industrial activity for which the financing was granted for a minimum period that will range from 3 to 5 years, depending on the repayment period of the financing.

The **call** will be **open** until the **available funds are used up** and, accordingly, applications are not subject to a deadline and will be processed in the order submitted to SEPIDES.

The following are considered **eligible expenses**:

- Acquisition of fixed assets:
 - Tangible fixed assets: expenses relating to (i) civil engineering (investments in urban development and pipelines), (ii) buildings and installations (investments to acquire, build, expand or fit out industrial buildings, as well as their installations), and (iii) production devices and equipment (acquisition of assets directly linked to production or the production process).
 - Intangible fixed assets: (i) specific software linked to the production process, (ii) patents, licenses, trademarks and the like, and (iii) research and development directly linked to the production process and to production devices and equipment.
- Expenses relating to (i) civil engineering for the project and external collaborative arrangements required to design and/or redesign processes, directly linked to the devices and equipment in question, (ii) credit rating linked to the application for financing, (iii) audits, during the term of the financing, in the case of companies not subject to statutory audit requirements, and (iv) audits associated with justifying the investment in the context of the financing.²⁸

The acquisition cost of the eligible investments and expenses may not exceed the market value under any circumstances. To this end, SEPIDES may ask the beneficiary to prove this point by providing the appropriate supporting documentation.

The **minimum amount of funding** to be granted is set at €200,000 and may not exceed 75% of the budget considered eligible for financing (understood as the sum of the items corresponding to the investment and eligible expense headings²⁹), and may not exceed €60 million per transaction.

In addition, the amount of the financing from the FAIP will be conditional on the enterprise's outstanding risk with the Fund (adjusted by the amount covered by first-demand guarantees) being a maximum of 5 times the applicant's duly evidenced equity. In the case of companies that form part of the same consolidated group, this rule extends to the group's consolidated amounts. In addition, the adjusted outstanding risk with the Fund – whether from an enterprise or consolidated group – must be at the most 10% of the cumulative amount of the Fund's budget allocations.

The financing that can be granted out of this Fund cannot, under any circumstances, constitute State aid and, accordingly, will always be granted at a market or higher interest rate/revaluation, depending on the beneficiary's level of collateral and credit rating. Specifically, the applicable **interest rate**, which will vary according to the rating of each applicant (Company Rating) and to the type of loan granted, is set as follows:

- For ordinary loans: (at a fixed rate) which will be determined by the Committee based on each Company Rating and (at a variable rate): in this case, equal to 6-month Euribor plus a spread determined half-yearly by the Committee with a minimum equal to the spread.

²⁸ Expenses relating to land, equipment not directly linked to the production process, and own personnel, among others, are expressly excluded.

²⁹ EWith the limit that investments in production equipment and specific software linked to production be at least 50% of the budget eligible for financing.

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- For participating loans: with a fixed tranche equal to 12-month Euribor plus a fixed spread between 2.5% and 5.5%, subject to a minimum equal to the applicable spread, and a variable tranche linked to activity performance parameters up to 2%.
- For equity interests: revaluation established by the Committee for each transaction linked to activity performance parameters in each case.

However, an interest-rate rebate may be applied to the cost of the financing applicable according to the classification. The rebate will be determined by the Committee according to the degree of fulfillment of the industrial impact criteria set out in the following table:

CRITERION	WEIGHTING (%)
Priority area	50
Job creation	10
Impact on digital transition	20
Impact on green transition	20

The **repayment** period of the loan will have a maximum duration of 10 years, including, where applicable, a possible maximum grace period of 3 years both for ordinary loans and for participating loans. In the case of equity interests, the maximum period up to the first term of the sale and purchase of the equity interest will be 5 years.

A first-demand **bank or equivalent guarantee** must be submitted for 10% of the disbursed amount of the financing for both ordinary and participating loans.

Lastly, it should be noted that SEPIDES, in all cases in which it is recommendable based on the volume of financing and the degree of development, will **disburse the financing in tranches, conditioning the release of the funds on the fulfillment of the milestones** of the project submitted. These milestones must be expressly established in the financing agreement, and the beneficiary must provide documentation supporting the performance of the activities envisaged in each milestone, which must be certified by SEPIDES before releasing the respective disbursement.

Lastly, it should be pointed out that with the goal of contributing to the industrial recovery of the areas of Spain affected by the isolated high altitude depression weather phenomenon known in Spain as DANA, which occurred between October 28 and November 4, 2024, the REINICIA+ FAIP DANA Mechanism has been set up. This Mechanism is promoted by the Ministry of Industry and Tourism and managed by the state-owned company SEPIDES for the purpose of providing zero-rate returnable financial support for promoting investments of an industrial nature and assisting in maintaining the industrial capacities of the areas included in the schedule to Royal Decree-Law 6/2024.

Endowed with €650 million for investment, the REINICIA+ FAIP DANA Mechanism provides financing to private commercial companies and cooperatives engaged in an industrial production activity, regardless of size.

The call is open until 2028 or until the resources are used up.

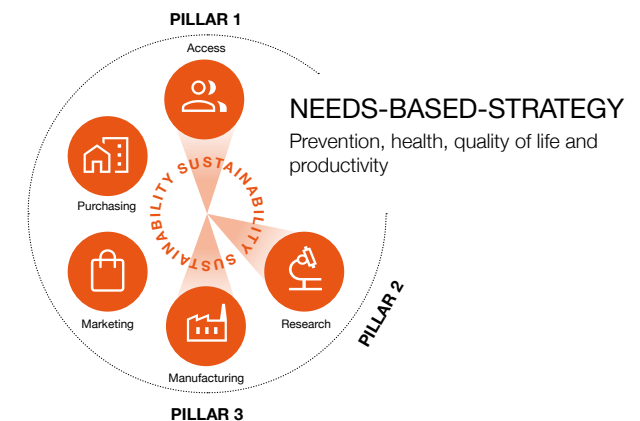
3.4.3 PHARMACEUTICAL INDUSTRY

As Spain is the fourth largest pharmaceutical market in the European Union in terms of revenue and the ninth largest worldwide, it has also been the subject of special interest and promotion by the

national government through various policies and measures. Not surprisingly, Spain is the main European focus of clinical trials with medicines, behind only the United States and China worldwide, with special relevance in certain areas of research such as oncology and oncohematology. Against this backdrop, it is worth mentioning the approval of the new **Pharmaceutical Industry Strategy for the 2024-2028 period** by a resolution of the Council of Ministers on December 10, 2024.

It is a Strategy prepared by an interdisciplinary working group in which representatives of the Ministries of Health, Finance, Industry and Tourism, Science, Innovation and Universities have participated along with the main associations representing the pharmaceutical industry in Spain, such as Farmaindustria, AESEG, BioSim, AFAQUIM and ASEBIO.

This Strategy focuses on 3 key aspects of the current pharmaceutical industry: (i) equitable access to medicines, (ii) the **sustainability** of the National Health System and (iii) the promotion of **innovation** and **competitiveness** of the industry.



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With these objectives, the Strategy aims to promote an ecosystem in which innovation, production, access to medicines and sustainability are integrated into a single approach. It forms part of Spain's Recovery, Transformation and Resilience Plan and, in turn, contributes to the European Pharmaceutical Strategy.

Specifically, and within the objective of promoting innovation and competitiveness, the intention to resume the PROFARMA program, which was in force during the 2021-2022 period, but without any calls in subsequent years, stands out.

Suffice it to recall, for these purposes, that the Initiative to Boost Competitiveness in the Pharmaceutical Industry or PROFARMA was approved by the Decision of November 26, 2021, of the Government Delegate Committee for Economic Affairs.

It was a joint initiative by the then Ministries of Industry and Trade, Health, and Science, Innovation and Universities, with the aim of boosting the competitiveness of the pharmaceutical industry in Spain by modernizing the industry and fostering activities that contribute more added value (such as investments in new industrial plants and in new technologies for production as well as through fostering research, development and innovation).

This modernization entailed (i) **for national enterprises**, seeking wider markets through internationalization, incorporating the use of new technologies in their production processes and R&D&I, improving the focus of their lines of research and (ii) **for multinational enterprises**, increasing their commitment to developing the industrial structure, boosting their investment effort not only in infrastructures and production activities, but also in R&D&I in Spain, improving the trade balance.

In short, this initiative sought to enable pharmaceutical companies to **progress toward a production model that increases the**

ability to attract capital and generate stable and quality employment, contributing positively to the increase in Spain's gross domestic product.

On this basis, and as stated in the new Strategy that has been approved, the aim is to promote this initiative, which will continue in four-year periods starting in 2025, although emphasizing the objectives defined in the Strategy, such as (i) recognizing the research activity and cooperation of digital innovation centers with the National Health System, (ii) assessing R&D&I projects according to partnership models that go beyond consortia, stimulating business collaboration, and (iii) taking into account the instruments to support the development of strategic industrial capabilities determined by the future Industry Law³⁰.

Under this same pillar of promoting competitiveness, the Strategy refers to other financial initiatives aimed at promoting strategic autonomy, in line with EU objectives (in particular, through the agreement to boost investment in critical technologies through the **Strategic Technologies for Europe Platform** - or **STEP**) aimed at boosting both drug manufacturing (including advanced manufacturing) and R&D&I in order to regain competitiveness in the race towards biomedical innovation at a global level. All this without forgetting due coordination with other financial instruments that support the industrial sector – also open to the pharmaceutical industry – such as the lines managed by ENISA, the Connected Industry 4.0 program, access to financing offered by the Fund for Supporting Productive Industrial Investment (FAIP) or the Co-investment Fund (FOCO), to which we refer in other sections of this Guide.

Against this backdrop, the PROFARMA Program has sought **to classify and rate enterprises in the pharmaceutical industry** which apply for inclusion in the program and which manufacture or market medicinal products for human use and

which pursue pharmaceutical R&D&I activities in Spain, with the ultimate aim of publicly acknowledging the effort made by such enterprises in alignment with the general and specific objectives of the Program.

In fact, in the last call published to date (for the 2021-2022 period), the PROFARMA Program sought, in line with the Pharmaceutical Strategy for Europe, adopted on November 25, 2020, to foster the manufacturing of medicines considered essential or strategic, research, development and manufacturing of new antimicrobial agents to reduce the threat that the development of resistance to antibiotics entails, research, development and manufacturing of medicines for the prevention and treatment of Covid-19, research that better respects animal protection principles, and the development of medicines with a lower environmental impact.

In previous calls, it **fell** to the **Office of the Secretary of PROFARMA** (made up of public officials from the Directorate-General of Industry and of Small and Medium-Sized Enterprises) to carry out the process of **assessment** of the enterprises that applied for the Program according to the criteria established in an assessment guide adopted by the head of the Office of the Secretary General for Industry and SMEs. The assessment considered, among other things, both the enterprise's **resources** (existence of a production plant, investment in new plants or expansion of existing plants, existence of a basic or preclinical R&D center, investment in new R&D centers, conduct of clinical trials in Spain, human team dedicated to R&D&I, participation in national and international consortiums, etc.) **and the results** obtained in certain areas (i.e. creation of new jobs, in both manufacturing and research, transfer of technology derived from licensing, improved trade balance, etc.) in the years 2021 and 2022.

³⁰ | Currently passing through parliament.

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Accordingly, and as a result of the assessment conducted, **enterprises were classified in three Groups** (A, B and C) depending on (i) whether or not they had their own pharmaceutical production plant or basic or preclinical R&D center and (ii) on the significance (or lack thereof) of the research activity they pursued. Equally, the head of the Office of the Secretary General for Industry and SMEs **assigned** them a rating (excellent, very good, good and acceptable) depending on the assessment and points obtained in accordance with the criteria and minimum score stipulated in the regulations.

Beyond the new Strategy for the Pharmaceutical Industry, note should be taken of the **Pact for Science and Innovation** signed on March 3, 2021, and whereby the Spanish Government (through the then Ministry of Science, Innovation and Universities) **undertook to ensure that public funding in R&D&I would regularly increase until reaching 1.25% of GDP in 2030.**

Suffice it to recall that these aims tie in directly with many of the investments and reforms that were included in Component no. 17 of the National Recovery, Transformation and Resilience Plan under the heading “Institutional reform and strengthening of the capacities of the national science, technology and innovation system”, in its application to the health field.

In fact, it coincides with one of the **specific objectives** of the Strategic Economic Recovery and Transformation Project (PERTE) in Vanguard Health approved by the Council of Ministers on November 30, 2021, and which consists of (i) **fostering the development of advanced therapies and other innovative or emerging drugs** and (ii) **facilitating their transfer to clinical practice**, through the necessary alliances between the academic and business sectors, contributing to the strengthening of the industrial fabric based on the intensive use of knowledge, to which more than **€140 million in public funds** were allocated (among

the different lines and programs applicable during the 2021-2023 period). All of this is notwithstanding the increase in the allocation initially planned for the PERTE in Vanguard Health by an additional €830 million (of which €500 million are non-repayable transfers) following the approval of the Addendum to the national plan in October 2023.

Lastly, it is worth noting that **the “Vanguard Health Alliance”** was set up on April 20, 2022, with the aim of strengthening public-private partnerships as the key to promoting, through science and innovation, the creation of a high-performance healthcare system based on Precision Medicine, advanced therapies and Artificial Intelligence.

The Vanguard Health Alliance has been meeting every 4 months to **follow up on the roll-out of the various investment instruments and actions scheduled under the PERTE**, and to issue recommendations on the implementation of this strategic project and as a discussion forum to facilitate an exchange of ideas among the actors involved, particularly in the context of project co-scheduling and co-financing. Suffice it to say that, at the last meeting held in April 2024, it was reported that 85% of the initial funds associated with the PERTE had been executed, reaching €1.3 billion.

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4. Incentives for investments in certain regions



- 1 Introduction
- 2 State incentives for training and employment
- 3 State incentives for specific industries
- 4 Incentives for investments in certain regions
- 5 Aid for innovative SMEs
- 6 Preferred financing of the official credit institute (*instituto de crédito oficial* or ICO)
- 7 Internationalization incentives
- 8 EU aid and incentives

4.1 GRANTED BY THE STATE

Regional incentives are financial subsidies granted by the Spanish State to productive investment projects carried out in previously-determined regions of Spain to promote and consolidate the pursuit of business activity in those areas and to boost the creation and maintenance of jobs in these areas. The aim is to help alleviate existing territorial imbalances and to reinforce the endogenous potential for development of regions with a lower level of growth. The State administration grants such aid in accordance with the demarcation of eligible areas and maximum aid intensities stipulated by the European Commission for regional state aid. The functions relating to regional incentives are attributed to the Directorate-General of European Funds, under the General Secretariat of European Funds, a body created with the rank of sub-secretariat within the Ministry of Finance.

As indicated, these incentives consist of financial aid to be used to finance investment projects that create jobs, to be executed in areas with the lowest level of development or less favored areas whose special circumstances so recommend, provided that they entail (i) the start-up of a new industrial establishment, (ii) the expansion of an already established activity or the start of a new one or (iii) the modernization of facilities (provided that it is not a mere replacement investment).

Although the general regulations for this type of aid are found in Law 50/1985, of December 27, 1985, on regional incentives for the correction of territorial imbalances, and in its implementing Regulations approved by Royal Decree 899/2007, of July 6, 2007, the geographic demarcation of the eligible areas and the specific definition of the maximum financing limits, as well as of the specific industry requirements regarding economic sectors, eligible investments and conditions, are regulated in the respective Royal Decrees demarcating each one of the economic development areas.

The above-mentioned Royal Decrees were amended on July 26, 2022, to bring their provisions into line with the new **Guidelines on regional State aid for 2022-2027** (2021/C 153/01), which had been published on April 2<9, 2021, in the Official Journal of the European Union, as well as with the new **Regional Aid Map for Spain (2022-2027)** approved by the European Commission on March 17, 2022³¹.

However, the above-mentioned Regional Aid Map was first revised on March 9, 2023³² and subsequently amended on December 13, 2023 to reflect the changes resulting from the content of the European Commission Decision of the same date (SA. 109336) adopted in the context of the mid-term review of the **above-mentioned Map**. This update has entailed the modification, in 2024, of the Royal Decrees of the Autonomous Communities of Andalusia, Murcia, Extremadura, Castilla-León, the Canary Islands and the Autonomous City of Melilla, increasing the maximum percentages of regional aid that may be granted to projects to be executed in these territories during the period from January 1, 2024 to December 31, 2027³³.

³¹ The map was initially approved by the Commission Decision of March 17, 2022 (SA 100859/2021).

³² This first modification is due to the adaptation to the special rules of the Just Transition Fund, which led to an initial increase in the maximum intensities in some areas.

³³ This is notwithstanding the last modification made by the Decision of July 26, 2024 to adapt the regional aid map for Spain to the content of the Commission Communication of June 3 of the same year, which allowed for increasing the maximum aid intensities in the case of investments covered by Regulation (EU) 2024/795 establishing the Strategic Technologies for Europe Platform (STEP). This means that, in these cases, the maximum intensities could be increased by up to ten percentage points if the projects are carried out in eligible "an areas" and by up to five percentage points in eligible areas identified as "c areas" since March 1, 2024.

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That said, according to the new aid map for the Kingdom of Spain, the Spanish region for which the greatest incentives are envisaged continues to be the Autonomous Community of the Canary Islands, with a maximum aid intensity percentage per investment project of up to 60%³⁴ of the net eligible investment³⁵.

The autonomous community of Extremadura, the Andalusian provinces of Huelva, Seville, Málaga, Jaén and Granada, and the Autonomous City of Melilla are other Spanish regions eligible for regional incentives with a maximum aid percentage of up to 40%, since their GDPs per capita were found to have fallen to below 65% of the average for the European Union.

As regards the provinces of Cádiz, Córdoba and Almería, the modification of the regional aid map approved for those areas, has raised the maximum intensity of the aid available to eligible projects in those provinces to 50%, that is, it remains 10% higher than in the rest of the Andalusian provinces³⁶.

The region of Murcia has also seen an increase in the maximum intensity of aid available in the context of the mid-term review of the regional aid Map, by virtue of the aforementioned European Commission Decision. Consequently, investment projects carried out in its territory will be eligible for maximum aid intensities of 30%. The same applies to the Autonomous Community of Castilla-La Mancha and the Autonomous City of Cuenca, where the maximum aid intensity remains at 30% of the eligible investment during this period³⁷.

For their part, the provinces of Soria and Teruel continue to be considered **predefined “c” areas** (since they are sparsely populated, with fewer than 12.5 inhabitants per kilometer) and, accordingly, the maximum aid intensity available to investment projects undertaken in these areas continues to be 20%.

In turn, the following continue to be non-predefined “c” areas: **the Galicia Autonomous Community, the Principality of Asturias, Cantabria, La Rioja, the Valencia Autonomous Community, the Balearic Islands, Huesca and part of Castilla-León**. In all these areas, the **maximum aid intensity** for investment projects undertaken by large enterprises **may, as a general rule, be up to 15%**. However, the Commission has authorized an increase in maximum aid intensity for investment projects that are undertaken in three provinces of Castilla-León, so that it can reach up to 25% of the eligible investment in Salamanca and Ávila (the latter since 2024 and until the end of the period) or up to 20% in Zamora, due to its relatively high loss of population in recent years.

In all these areas, the maximum aid intensities can be increased by an additional ten percentage points in the case of investments undertaken by medium-sized enterprises and up to an additional 20 percentage points if they are small enterprises, provided that they are initial investment projects with eligible costs of up to €50 million.

Lastly, the city of Zaragoza, as well as the autonomous communities of Madrid, Cataluña, Navarra and the Basque Country do not qualify for the regional incentive system.

³⁴ The maximum aid intensity percentages – unless expressly indicated otherwise – refer to investment projects undertaken by large enterprises.

³⁵ In addition, Royal Decree-Law 20/2021, of October 5, 2021, adopting urgent support measures to repair damage caused by volcano eruptions and for economic and social reconstruction on the island of La Palma, establishes an additional bonus of 5 percentage points over the score obtained from the classification of the business project intended to be undertaken on the island of La Palma, subject at all times to the ceiling set by the European Commission for this autonomous community.

³⁶ As a result of their designation as Just Transition Fund recipient territories.

³⁷ Within the territory of the Autonomous Community, Cuenca is classified as a sparsely populated area, having less than 12.5 inhabitants per km². In sparsely populated areas, Member States may use operating aid schemes to prevent or reduce depopulation.

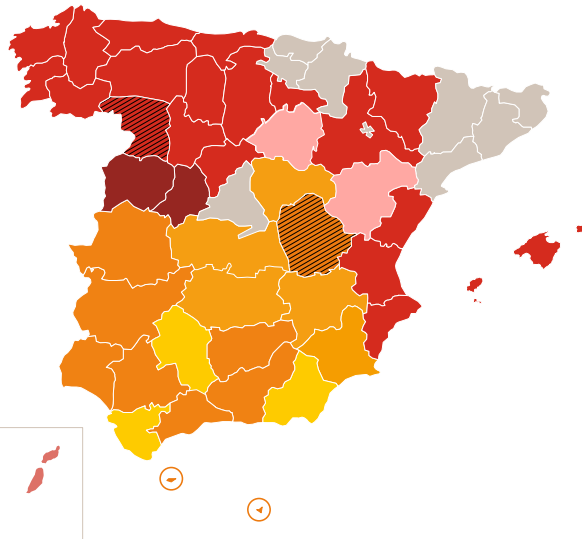
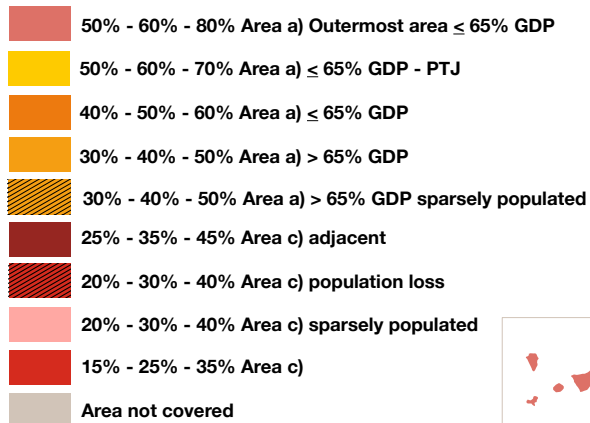
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2022 - 2027 REGIONAL INCENTIVE MAP

Valid from October 31, 2024 to December 31, 2027

MAXIMUM AID INTENSITY

L.E. M.E. S.E.



Source: Ministry of Finance (<https://www.fondoseuropeos.hacienda.gob.es/sitios/dgfc/es-ES/ipr/ir/ia/Paginas/IncentivosRegionalesCA.aspx>)

Having regard to the foregoing, the following is an explanation of the main current characteristics of the regional incentives analyzed.

4.1.1 ELIGIBLE ECONOMIC SECTORS³⁸

These are stipulated in each Royal Decree demarcating the respective geographical area.

The main eligible sectors, however, are, in general, as follows:

- Processing industries and production support services³⁹, particularly those which apply advanced technology, pay attention to environmental enhancement and enhance the quality or innovation of the process or the product.
- Industries favoring the introduction of new technologies and the provision of services in the information technologies and communication subsectors.
- Specific tourist establishments and ancillary leisure facilities with an impact on development in the area which are

innovative, especially in terms of environmental improvement, and contribute significantly to the area's endogenous potential.

4.1.2 TYPES OF ELIGIBLE INVESTMENTS

The types of investment eligible for incentives are new or first-time use fixed assets, referring to the following investment items:

- Civil engineering.
- Capital equipment, excluding external transportation items.

³⁸ The following are expressly excluded from the possibility of opting for regional aid: enterprises in difficulty, the steel sector, the lignite and the coal sectors, the fishery and aquaculture sector, the production, processing and marketing of agricultural products listed in Annex I to the TFEU, unless the resulting product is not an agricultural product, the transport sector, the deployment of broad band, the activities of processing materials and products for construction and the energy sector.

³⁹ In the definition set out in the Resolution of the Governing Board of Regional Incentives for the 2022-2027 period, **support services for industry** means services that significantly foster production and/or quality processes or product or process innovation and, in particular, those which foster the introduction of technologies for digital transformation as well as the introduction of improvements in the environmental sphere. Specifically, the following, among others, are considered eligible: (i) private technological parks that offer, for rent or hire, infrastructure and administrative and professional services, (ii) data storage services, (iii) services for the implementation of high-tech systems whose prototype phase is complete and based on which development in industrial plants takes place, (iv) engineering services for development at the industrial level of high-tech intensive use system and environmental improvements (...).

Advanced logistics projects are also considered eligible, including the planning, execution and control of the physical flow of goods and services, from the perspective of origin through to place of consumption in order to meet consumers' requirements and obtain a benefit. Specifically, for the purposes of the Resolution, advance logistical activities are carried out at large warehouses with a high level of automation, designed to receive items from various factories and suppliers, receive orders, handle them efficiently and send products to their destinations in the shortest time possible.

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- In the case of SMEs, up to 50% of the costs incurred on the project's preliminary studies, which could include: planning, project engineering and project management of the projects.
- Intangible assets, provided that they do not exceed 30% of the total eligible investment, are used exclusively at the center where the project is carried out, are able to be inventoried and amortized and are acquired at arm's length from third parties not related to the purchaser.
- Other material investments, on an exceptional basis.

In accordance with the previous regional financing Guidelines for the period 2007-2013, the Regulations implementing the Regional Incentives Law already eliminated, at the time, the possibility of including lands as an eligible fixed asset. This exclusion has been maintained under the subsequent Guidelines on regional aid.

4.1.3 ELIGIBLE PROJECTS

- **Projects for the creation of new establishments** that give rise to the commencement of a business activity and also generate new jobs (which must be maintained for at least 2 years after the end of the term stipulated in the individual Resolution granting the aid). Projects must have a budget not less than that set as a minimum in the respective Royal Decrees of demarcation (generally, a minimum of €900,000).
- **Project for the expansion of existing activities**, where they entail a significant increase in production capacity or the commencement of new activities in the same establishment, provided that they entail the creation of new jobs and the maintenance of existing jobs during the same period stipulated in the preceding paragraph.

- **Project for the modernization of the business** which meet the following requirements⁴⁰:
 - The investment must be an important part of the tangible fixed assets of the establishment being modernized and must entail the acquisition of technologically advanced machinery which produces a notable increase in productivity.
 - The investment must give rise to the diversification of an establishment's production in order to attend to new and additional product markets or must entail a fundamental transformation of the overall production process of an existing establishment.
 - Existing jobs must be maintained during the aforesaid periods.

Replacement investments consisting of (i) the technological updating of a machine outfit which has already been depreciated, implying no fundamental change to the product or production process, (ii) the remodeling or adaptation of buildings as a result of the aforesaid investments, in compliance with safety or environmental provisions or by statutory imperative, and (iii) the incorporation of cutting edge technology without fundamental changes to the process or to the product, are excluded.

Eligible projects must meet the following requirements:

- They must relate to an eligible sector and activity and be located in one of the designated areas.
- They must be technically, economically, and financially viable.
- Generally, at least 25% of the investment must be self-financed. However, depending on the features of the project,

a higher rate may be required in the Royal Decrees of demarcation.

- The company developing the project must have a minimum level of equity, which will be stipulated in the individual Resolution granting the incentive and must be maintained through the last day on which the subsidy is in force.
- The application for regional incentives must be submitted before the investment in question begins to be made. In this connection, the investment will be begun to be made either (i) upon the commencement of the construction works entailed in the investment, or (ii) upon the first firm commitment for the order of equipment or (iii) any other commitment making the investment irreversible, whichever comes first. The purchase of lands and preparatory work (such as the obtainment of permits and the performance of preliminary viability studies) are not regarded as the commencement of work.
- The applicant must prove to the Autonomous Community, using the standardized form known as the solemn declaration of "non-initiation of investments", that the investments had not been initiated prior to the filing of the application for regional incentives. The Autonomous Community may also request a notarial certificate as evidence of the foregoing (*acta notarial de presencia*) or perform an on-site inspection of the land, with a view to ensuring that this requirement has been met.

⁴⁰ In general, if the investment projects are undertaken by large enterprises in "c" areas, only those entailing initial investments that create a new economic activity within the scope of point 14 of the Regional Aid Guidelines will be considered eligible. Outside these cases, and where the aid granted to large enterprises is aimed at making a fundamental change in the production process, additional requirements must be met, namely, the eligible costs must exceed the depreciation of the assets linked to the activity to be modernized over the preceding 3 fiscal years.

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- The aid should serve as an “incentive”—i.e., evidence is given that the applicant undertaking the project would not have done so without the aid or would have done so in a limited or different way or in another place. Accordingly, an explanation must be given of the impact that would be produced on the decision to invest or on the decision to locate the investment in the region in question should the regional incentives not be received (for large companies the explanation also requires the submission of documentary evidence).
- The aid applicant must report accordingly, if it has discontinued the same activity or another similar activity in the European Economic Area within the 2 years preceding the application date, or if it plans to discontinue said activity within 2 years after completion of the investment for which the aid is requested. In such case, the potential grant of aid will require prior analysis, and prior notice must be served on the European Commission, so that it can decide whether to authorize or to reject its grant.

4.1.4 TYPES OF INCENTIVE

The regional incentives available for grant consist of:

- a. Non-returnable subsidies for the approved investment.
- b. Subsidies for the interest on loans obtained by the beneficiary from financial institutions.
- c. Subsidies for the repayment of those loans.
- d. Any combination of the foregoing.
- e. Reductions in the employer's social security contribution for common contingencies during a maximum number of years,

to be determined by regulation, subject to the provisions of the legislation on incentives for hiring and for fostering employment.

In the cases under letters b), c) and d) above, there is also a possibility of regional incentives being converted into a percentage of the subsidy on the approved investment.

However, the most common type of regional incentive takes the form of an outright subsidy.

4.1.5 PROJECT ASSESSMENT

Projects must be evaluated using the methods stipulated in each Royal Decree of demarcation, which will also determine the percentage of subsidy to be granted for each project. Notwithstanding the specific provisions of each Royal Decree, the main parameters to date considered by the relevant bodies are as follows⁴¹:

- Total amount of the investment considered eligible.
- Number of jobs created.
- Revitalizing nature or contribution to the area's economic development and use of its production factors.
- Added value of the project (if newly created) or increase in productivity in other cases.
- Inclusion the project of advanced technology, quality systems, environmental measures, R&D&I expenses, etc.
- Location in an area considered a “priority” (defined as such in the demarcation Royal Decree).

4.1.6 COMPATIBILITY OF DIFFERENT INCENTIVES

No investment project can receive other financial aid if the amount of the aid granted exceeds the maximum limits on aid which have been stipulated for each approved investment in the Royal Decrees of demarcation of eligible areas.

Therefore, the subsidy received is compatible with other regional aid originating from other public authorities, provided that the sum of all the aid obtained does not exceed the limit established by the Royal Decree of demarcation and EU rules do not preclude it (incompatibilities between Structural Funds).

4.1.7 APPLICATION PROCEDURE

With respect to the processing of regional incentives, suffice it to say that on August 12, 2024, the new Order HAC/714/2024, of July 2, 2024, approving supplementary rules for the processing and management of regional incentives took effect and made certain changes to the previous regulations.

- Documentation:
 - Standardized application form (in accordance with Schedule I to the above-mentioned Order HAC/714/2024, of July 2, 2024), addressed to the Ministry of Finance, although it must be submitted to the competent body of the corresponding Autonomous Community, which will be in charge of processing it. Submission of the application

⁴¹ The Resolution of the Governing Board of Regional Incentives for the 2022-2027 period clarifies that applicable criteria for assessing eligible projects will vary slightly depending on whether it is an industrial sector or tourism sector project.



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does not require the approval of a prior call, and interested parties will have an open-ended period to submit their applications on an ongoing basis.

- Documentary evidence of the applicant's personal circumstances or, in the case of an incorporated company, its registry data. If the company is in the process of being incorporated, the envisaged registry data and the data of the promoter acting in its name.
- Standardized explanatory investment project memorandum, together with documentation evidencing compliance with all environmental requirements.
- Formal declaration, on a standardized form, of other aid applied for or obtained by the applicant for the same project.
- Evidence of the company's compliance, as of the date in question, with its tax and social security obligations or, as the case may be, authorization from the Directorate-General of European Funds to obtain the certificates to be issued by the State Tax Agency and by the Social Security General Treasury. In the case of a company being incorporated, the obligation will be deemed to refer to the developer.
- If applicable, a copy of the company's financial statements for the three fiscal years immediately preceding the application or, failing that, the corporate income tax return for those fiscal years.
- The application must also be accompanied by the following solemn declarations, on a standardized form, as appropriate in each case:

- a. Declaration of "no commencement of investments". In this regard, the Autonomous Community may request a notarial certificate as to the existence or truth of certain matters or carry out a physical verification on site.
- b. Declaration of the existence of an incentive effect. Large companies must provide documentary evidence proving it.
- c. Declaration of "information relating to the status of small and medium-sized enterprises".
- d. Declaration of "not being in difficulty within the meaning of the Rescue and Restructuring Guidelines".
- e. Declaration of "no relocation".
- f. Declaration of being up to date with the repayment of subsidies.

- Where to submit:

The appropriate body of the Autonomous Community where the project is to be carried out.

- Agency granting the aid:

The Government Delegate Committee for Economic Affairs if the eligible investment exceeds €6,010,121.

In all other cases the head of the Ministry of Finance (in particular, through the Sub-directorate General of Regional Incentives, under the Directorate-General of European Funds).

- Decision deadline:

The maximum deadline for deciding on applications and serving notice thereof is 6 months from the date on which the application is registered with the Ministry of Finance (although this deadline may be extended).

If the initial term and, as the case may be, any extended term ends without an express decision have been issued, the regional aid application may be deemed to have been rejected.

- Acceptance of the grant of aid:

Express notice of acceptance of the aid must be served by applicants on the relevant agency of the Autonomous Community, within not more than 15 business days after the date on which notice of the individual decision to grant the aid is received.

If no notice is served by the end of such period, the grant of aid will be rendered null and void by the Directorate-General of European Funds and the dossier will be shelved.

- Submission of decisions at the Mercantile Registry:

After its acceptance, the beneficiary must file the Decision granting the aid with the Mercantile Registry within one month from the date of acceptance, so that the terms on which the aid was granted can be registered.

All decisions subsequent to the grant of incentives (extensions, amendments, etc.) must also be filed by the same deadline.

In general, compliance with this requirement must be evidenced to the relevant Autonomous Community agency within 4 months after acceptance of the related decision (6 months,



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in the case of a company being incorporated). If evidence is not submitted by the deadline, the Directorate-General of European Funds will render null and void the grant of the regional aid.

- Evidence of compliance with conditions:

Beneficiaries must submit, within the deadlines established in the individual grant decision, documents that evidence full compliance with the established conditions.

- Priority processing:

Law 31/2022, of December 23, 2022, on the General State Budget for 2023 added a new sub-article to article 5 of Regional Incentives Law 50/1985, which establishes that when a project, by reason of its amount or strategic importance, must be authorized by the European Commission pursuant to article 108(3) of the Treaty on the Functioning of the European Union, it may be processed on a priority and urgent basis upon a request from the autonomous community in question, which must have acknowledged the priority and urgent basis of the project in its respective area of competence.

4.1.8 EXECUTION OF THE PROJECT AND ALTERATIONS SUBSEQUENT TO GRANT

Investments may be initiated without having to wait for the final decision to be adopted, provided that applicants have suitably proven, as stipulated above, that such investments had not been initiated before the application was filed. This possibility does not, however, prejudice the decision finally adopted.

In general, subsequent incidents in the project (i.e., alteration of the initial project, changes to periods and/or timelines for fulfilling completion requirements, change in the location of the project within the same economic delimitation area, etc.) will be resolved by the Directorate-General of European Funds. Nonetheless, if the alteration of the project entails changes in the activity or a variation in the amount of the incentives granted, the amount of the investment approved or the jobs to be created, in excess of the limits set in article 31.1 of the Regulations of the Incentives Law, they will have to be resolved by the same body that granted the aid.

Applications for alteration of the projects must be submitted to the relevant Autonomous Community agency and addressed to the Ministry of Finance and must specify the conditions which have been altered since the filing of the initial application⁴².

The deadline for deciding on applications and serving notice thereof will be 6 months following their receipt by the Directorate-General of European Funds. As a general rule, if the administration fails to respond, this can be construed as an affirmative decision. However, when the alteration entails a change in activity, variation in the incentives, in the amount of the incentive approved, or in the job positions to be created, and it exceeds the thresholds established in the aforementioned article 31.1 of the Regulations for the Incentives Law, the absence of a response within the stipulated time must be construed as a rejection of the alteration application.

4.1.9 PAYMENT PROCEDURE

Once the relevant agency issues a report confirming the degree of compliance with the requirements imposed on the project in question, the beneficiary must file a request for

payment of the subsidy (on a standardized form) together with the other required documentation (evidence of performance of tax obligations and obligations to social security, etc.) with the relevant Autonomous Community agency from which it will be referred to the Directorate-General of European Funds.

4.1.10 PAYMENT SYSTEM

Subsidies may be paid using the following methods:

- Final payment: after the end of the term, the beneficiary may only request payment in full of the subsidy granted or of the part to which he is entitled if there has been any breach.
- Payment in full: during the term, the beneficiary may only request a single payment of the total subsidy after the entire investment has been made and subject to the submission of the related bank guarantee. This payment may only be requested subsequent to the dates of compliance, once each and every one of the conditions imposed on the holder have been verified and prior to the end of the term.
- Payment in part: during the term, the beneficiary may request payments of the subsidy as he justifies the partial making of the investment, provided that this is authorized in the individual decision to grant the subsidy.

For more information, please consult the website of the [Ministry of Finance](https://www.fondoseuropeos.hacienda.gob.es/sitios/dgfc/es-ES/ipr/ir/Paginas/inicio.aspx). (<https://www.fondoseuropeos.hacienda.gob.es/sitios/dgfc/es-ES/ipr/ir/Paginas/inicio.aspx>).

⁴² If what is requested is a change to the project completion periods, the application must be submitted at least 2 months before such periods expire.

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4.2 REGIONAL AID GRANTED BY THE AUTONOMOUS COMMUNITIES

Some Spanish Autonomous Communities also provide similar incentives, on a smaller scale, for investments made in their regions. Only some of these incentives are compatible with those granted by the EU or the State. Specifically, if State regional incentives have been applied for in connection with a given project, the maximum limits established in each Royal Decree of demarcation must be taken into account.

In fact, some Autonomous Communities grant investment incentives in areas not covered by state legislation but which are included in the regional financial aid maps approved by the European Union for Spain.

Most Autonomous Community incentives are granted on an annual basis, although the general conditions of the incentives do not usually change substantially from year to year.

In view of the impossibility of including a detailed description of the aid granted by each Autonomous Community, we summarize below their main and traditional features (which are generally very similar to those of State regional incentives).

Nonetheless, bear in mind that the incentives granted by the Autonomous Communities are also affected by the content of the Guidelines on regional State aid for the 2022-2027 period, and by the limits and maximum aid intensity percentages established in the above-mentioned regional aid Map approved for Spain.

4.2.1 TYPES OF PROJECT

Opening of new establishments, expansion of activities, modernization and technological innovation. The creation of new jobs is normally required.

4.2.2 MAIN INDUSTRIES

In general, the main eligible industries are industrial support services, processing industries, tourism, culture, industrial design, electronics and computing, renewable and environmental energies.

4.2.3 PROJECT REQUIREMENTS

They are basically the same as those imposed at State level.

4.2.4 TYPES OF INCENTIVE

The main incentives are:

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

4.3 SPECIAL REFERENCE TO INVESTMENTS IN THE CANARY ISLANDS

The Canary Islands Autonomous Community has traditionally enjoyed a regime of commercial freedom involving less indirect tax pressure and exclusion from the sphere of certain State monopolies. These conditions have given rise to an economic and tax system which is different from that existing in the rest of Spain.

Of course, an attempt has been made to reconcile these special circumstances with the requirements of Spanish membership of the European Union.

In this regard, the Central Government has been increasing flexibility as much as possible in connection with the functioning of regional incentives and localization of investments on the Canary Islands, imposing no further limitations than those stipulated in EU legislation and giving preferential treatment to investments in the peripheral islands by requiring a minimum level of investment lower than that established for the rest of Spain. As a corollary of these efforts to address the uniqueness of island regions, the European Commission authorized the **creation of the Canary Islands Special Zone** (*Zona Especial Canaria or ZEC*) in January 2000, with a view to attracting and encouraging the investment in the Canary Islands of international capital and companies which make a decided contribution to the economic and social progress of the Canary Islands.

The period for using the benefits of the ZEC is through December 31, 2026⁴³, although this may be extended if authorized by the European Commission (please also see chapter 3 and www.canariaszec.com). In addition, the authorization for registering companies in the Official Register of Entities of the Canary Islands Special Zone has been extended to December 31, 2026, by means of Royal Decree-Law 8/2023, of December 27, 2023.

It is important to note that incentives aimed at upgrading and modernizing the production of plant and animal products (specifically, bananas, tomatoes, and fishing-related industries) are also available under the Community Program to Support Agricultural Production on the Canary Islands.

⁴³ According to article 29 of Law 19/1994, of July 6, 1994, modifying the Canary Islands Economic and Tax Regime, as amended by Final Provision One, paragraph two, of Royal Decree-Law 8/2023, of December 27, 2023, ZEC tax incentives may be enjoyed "during the 6 years immediately following the expiration of Commission Regulation (EU) 651/2014 of June 17, 2014 declaring certain categories of aid compatible with the internal market in application of articles 107 and 108 of the Treaty", article 59 of which establishes that "it will apply until December 31, 2026."

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Along these same lines, please note the **Integral Strategy for the Canary Islands Autonomous Community**, approved by decision of the Council of Ministers dated October 9, 2009. The main objectives of this Strategy were implemented in Additional Provision Fourteen of Sustainable Economy Law 2/2011, of March 4, 2011, as a guide for initiatives of the Government and of the General State Administration on the Canary Islands. In particular, under the former Strategy priority was to be given to initiatives connected with the policy to internationalize the Canary Island economy, energy planning, with special attention to renewable energies, ground, airport and port infrastructures, subsidies for goods transport to or from the Canary Islands, the fostering of tourism and the contribution to the development of industrial sectors and of telecommunications on the Canary Islands.

In particular, from the standpoint of internationalization, the state-owned enterprise **Sociedad Canaria de Fomento Económico**, S.A. (PROEXCA) was formed under the Office of the Premier of the Canary Island Government, with a view to fostering the internationalization of the Canary Island enterprise and attracting strategic investments to the Islands. PROEXCA acts as an official agent for the promotion of investments on a regional scale, serving companies which seek to invest in the Islands and which offer them high added value and sustainability.

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5. Aid for innovative SMEs

- 1 Introduction
- 2 State incentives for training and employment
- 3 State incentives for specific industries
- 4 Incentives for investments in certain regions
- 5 Aid for innovative SMEs**
- 6 Preferred financing of the official credit institute (*instituto de crédito oficial* or ICO)
- 7 Internationalization incentives
- 8 EU aid and incentives

Notwithstanding the special treatment usually given to SMEs in the context of the public financing programs or initiatives which have been examined in other sections of this chapter, the following is a list, to be taken as an example, of some lines specifically targeted at entities of this type when they engage, in particular, in innovative activities.

Among others, we refer to the financing which is offered by the National Innovation Enterprise (*Empresa Nacional de Innovación* or ENISA) to small and medium-sized companies through various lines targeted at fostering their formation, their growth or their consolidation.

As an example, we indicate below the main characteristics of some of these lines, in force in 2025:

- **ENISA Young entrepreneurs:** aimed at stimulating the formation of enterprises backed by young entrepreneurs (not older than 40 years of age), which are provided with the necessary financial resources during the initial phases linked to the formation of SMEs and start-ups, so that they are able to make the investments required for the business project at such time, no guarantees required.

Potential beneficiaries are SMEs (i) which pursue their activity and have their registered office in Spain, (ii) which have their own legal personality and whose incorporation took place not more than 24 months prior to the submission of the application, (iii) which have a business model that is innovative, novel or one with obvious competitive advantages, (iv) the majority of whose capital is subscribed by young entrepreneurs (aged under 40), (v) which have filed their financial statements for the last closed fiscal year at the Commercial Registry or at another relevant public registry, and (vi) which are active in any area of business

activity (other than real estate and finance). Finally, minimum contributions are required from the shareholders (of at least 50% of the loan), in the form of capital or equity, as is the above-mentioned proof of the project's technical and economic viability.

Eligible investments are those required for the start-up of the business project during its initial phase and, in particular, the acquisition of both the fixed and the current assets required for the pursuit of the activity.

Aid will take the form of a **participating loan** of **not less than €25,000 and not more than €75,000**, with an applicable interest rate equal to EURIBOR plus 2% or 4.25% (depending on the rating of the transaction) in the first tranche and, in the second tranche, variable interest of between 3% and 8%, depending on the financial return of the enterprise, in line with the transaction's rating. Interest and principal will be repaid monthly. An arrangement fee is established equal to 0.5% of the amount of the loan. A fee for early repayment and another fee for acceleration of the loan due to a change in the shareholder structure are also established.

The loan matures after a maximum of 7 years and there is a grace period of not more than 5 years for the repayment of principal.

- **ENISA Entrepreneurs:** aimed at providing financial support to recently formed SMEs and start-ups, promoted by entrepreneurs (of any age), so that they are able to make the investments required for the business project during its initial phase, no guarantees required.

Potential beneficiaries are SMEs (i) which pursue their activity and have their registered office in Spain, (ii) which

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have their own legal personality and are incorporated as a corporate enterprise no more than 24 months before the application is filed, (iii) whose business model is innovative or has clear competitive advantages, (iv) which have shareholders' equity equivalent, at least, to the amount of the loan, (v) who evidence the technical/economical viability of the project, (vi) whose financial statements for the last year ended have been filed with the Commercial Registry or any other appropriate public registry, (vii) which have a balanced financial structure and management of a professional nature, and (viii) which are active in any area of business activity (other than real estate and finance).

This aid will take the form of a **participating loan** of between **€25,000 and €300,000** – based on several factors such as the amount of equity and the financial structure of the company – at an applicable fixed interest rate equal to EURIBOR plus 2% or 4.25% (depending on the rating of the transaction) for the first tranche and, in the second tranche, variable interest of between 3% and 8%, depending on the financial return of the enterprise, in line with the transaction's rating. Interest and principal will be repaid quarterly. Provision is also made for the payment of an arrangement fee of 0.5% and of another two additional fees: (i) for early repayment and (ii) for the acceleration of the loan due to a change in the shareholder structure.

The loan matures after a maximum of 7 years and there is a grace period of 5 years for the repayment of principal.

- **ENISA Growth:** aimed at financing, no guarantees required, projects promoted by SMEs which envisage making competitive improvements or executing consolidation, growth and internationalization projects, based on viable and profitable business models, aimed specifically at achieving any

of the following objectives: (i) the competitive improvement of production systems and/or a change in production model, (ii) expansion through an increase in production capacity, technological advances, an increase in the range of products/services, or (iii) diversification of markets, seeking out capitalization and/or debt on regulated markets.

The requirements to be met by the beneficiary are basically those already described for the ENISA Entrepreneurs line, although, for loans approved for an amount exceeding €300,000, the financial statements for the most recent year ended must have been submitted to external audit.

The amount of **participating loans** granted under this line will range **between €25,000 and €1,500,000**, repayable in a maximum of 9 years, with a grace period of 7 years for the repayment of the principal. The applicable interest rate is Euribor + 2% or 4.25% in the first phase (depending on the rating of the transaction), and variable interest, depending on the financial return of the enterprise, with a maximum limit of between 3% and 8%, in the second phase, depending on the transaction's rating. Principal and interest will be repaid quarterly and provision is made for the payment of fees similar to the ones described in the preceding lines.

- **ENISA AgroInnpulso (ENISA Agro-Food Innovation Line),** which is aimed at fostering the digital transformation of enterprises in the agro-food sector and the rural environment, endowed for the purpose with funds from the Ministry of Agriculture, Fisheries and Food, which will be managed and administered by ENISA.

Specifically, the participating loans offered under this line are available to small and medium-sized agro-food enterprises throughout the value chain, which (i) pursue innovative and/or technology-based activities, with special attention to those

with the ability to create jobs for young people and women, and (ii) undertake the necessary investments and carry out their business project basing their activity on generating new products, processes or services.

Enterprises and projects must comply with the same requirements as those described in the Growth Line above, including those relating to financing requirements. However, enterprises that, from an environmental perspective, do not comply with the "Do No Significant Harm" (DNSH) principle will also be excluded, this being an essential requirement which projects must meet to be eligible for funding.

The amount of the **participating loan** may range **between a minimum of €25,000 and a maximum of €1,500,000** – depending on several factors, such as the amount of equity and the financial structure of the enterprise – and it will be subject to an interest rate, in the first tranche, equal to Euribor plus 2% or plus 3.75% (depending on the rating of the transaction) and, in the second tranche, a variable interest rate between 3% and 8%, depending on the enterprise's financial profitability, according to the rating of the transaction. Interest and principal will be repaid quarterly and an arrangement fee of 0.5% of the amount of the loan must be paid (in addition to other fees for early repayment and acceleration of the loan due to a change in the shareholder structure).

The maximum maturity period of the loan will be 9 years and there will be a 7-year grace period for the repayment of principal.

The grant of the loan will not require the provision of guarantees additional to those required for the business project.

- **ENISA Digital Entrepreneurs:** it is a line aimed specifically at supporting and fostering digital projects undertaken by female

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entrepreneurs, thanks to funds from the Ministry of Digital Transformation and the Civil Service, which will allocate €51 million to this area over the next 3 years as part of the National Recovery, Transformation and Resilience Plan.

The participating loans available under this line may be obtained both by start-up or growing SMEs (that is, those which are considering a consolidation, growth or internationalization project) and in which one or more women hold a relevant position of leadership or power in the company, either as a shareholder or as a member of the managing body or the executive team.

These SMEs must (i) pursue their activity and have their registered office in Spain, (ii) have separate legal personality, (iii) have a business model that is innovative or with clear competitive advantages, (iv) have equity that is at least equal to the amount of the loan, (v) have technical/economic viability in relation to the project, (vi) have filed the financial statements for the last closed fiscal year at the Commercial Registry or at another relevant public registry, (vii) externally audit the financial statements of the last closed fiscal year if they receive a loan in an amount exceeding €300,000, (viii) have a balanced financial and professional management structure, and (viii) engage in any area of economic activity (except for real estate and finance).

The amount of the **participating loan** that constitutes the aid may range **between a minimum of €25,000 and a maximum of €1,500,000** – depending on several factors, such as the amount of the equity and the financial structure of the enterprise – at an interest rate, in the first tranche, equal to Euribor plus 3.75% and, in a second tranche, a variable interest rate between 3% and 8%, depending on the enterprise's financial profitability, according to the rating of

the transaction. Interest and principal will be repaid quarterly and an arrangement fee of 0.5% of the amount of the loan must be paid (in addition to other fees for early repayment and acceleration of the loan due to a change in the shareholder structure).

The loan will have a maximum maturity of 9 years and a grace period of 7 years for the repayment of principal.

The grant of the loan will not require the provision of guarantees additional to those required for the business project.

- **ENISA Audiovisual and Cultural and Creative Industries**, which has been allocated €7.5 million and is promoted by the Ministry of Culture and the Ministry of Digital Transformation and the Civil Service, its aim being to bolster the Spain Audiovisual Hub Plan.

The objective, with this Line, is to support innovative business projects promoted by SMEs in the audiovisual and video games sector, as well as in the cultural and creative industries.

Specifically, the participating loans offered by this Line are open to start-up or growing companies which engage in the development of products and services in the audiovisual and video games sector with a major digital component, and the cultural and creative industries. Both newly formed enterprises and those with a consolidation, growth or internationalization plan are eligible for financing.

Moreover, as is the case with the other Lines, the SMEs must (i) pursue their activity and have their registered office in Spain, (ii) have legal personality separate from that of their shareholders, (iii) have a business model that is innovative or with clear competitive advantages, (iv) have equity that is at least equal

to the amount of the loan, (v) have technical/economic viability in relation to the project, (vi) have filed the financial statements for the last closed fiscal year at the Commercial Registry or at another relevant public registry, (vii) externally audit the financial statements for the last closed fiscal year if they receive a loan in an amount exceeding €300,000, (viii) have a balanced financial and professional management structure, and (viii) engage in any area of economic activity (except for real estate and finance).

The aid will take the form of a participating loan **of between €25,000 and €1,500,000**, depending on the enterprise's financial situation and assets. The interest rate will be divided into two parts: a first part with interest equal to Euribor plus 2% or 3.75% (depending on the rating of the transaction) and a second part with an interest rate which will depend on the financial profitability of the enterprise, of between 3% and 8% (depending on the rating of the transaction). Payments of interest and principal will be quarterly and an arrangement fee of 0.5% of the loan amount will be charged (in addition to other fees for early repayment or changes in the body of shareholders).

The maximum term for repaying the loan will be 9 years and there will be a period of 7 years in which the principal will not have to be repaid, with no additional guarantee requirements being envisaged on top of those relating to the execution of the business project *per se*.

- Lastly, a **DANA Line** has been opened, which has been allocated €350 million and is promoted by the Ministry of Industry and Tourism with the aim of supporting the recovery of economic and production activity in areas of Spain seriously affected by the October 2024 flash flooding caused by the isolated high altitude depression weather phenomenon known in Spain as DANA (*Depresión Aislada en Niveles Altos*).

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The Line seeks to support the economic and social recovery of the affected areas by promoting competition and the sustainable development of the territory, through regeneration and/or the creation of an innovative and entrepreneurial business infrastructure, fostering investment in new business initiatives and the transformation of existing businesses.

Among other requirements, SMEs must:

- i. Have their registered office or affected facilities in the municipalities set out in the schedule to Royal Decree-Law 6/2024.
- ii. Have legal personality separate from that of their shareholders.
- iii. Have been formed prior to October 2024 and have been operating before that date.
- iv. Have a viable, sustainable project with growth potential.
- v. Have a project that sets out the improvements in production capacity and the assets to be financed within the framework of the company that is developing it, detailing the technical and economic elements of the project and the expected performance of the company as a whole.
- vi. Have filed their financial statements for the last closed fiscal year at the Commercial Registry or at another relevant public registry.

Solemn declaration that the applicant complies with the requirements established in EU aid legislation and was not considered a distressed company prior to October 28, 2024.

Business projects must be linked to the damage suffered as a result of the DANA and be aimed at the repair, renovation, adaptation, replacement, extension or improvement of (i) buildings and installations, (ii) machinery, equipment and vehicles, (iii) inventories.

Eligible expenses will include, among others:

- The acquisition and construction of warehouses, commercial premises, installations and other buildings for the pursuit of the company's activity, including the acquisition and preparation of land.
- Construction of renewable energy facilities.
- Acquisition of IT and communications-related equipment.
- Machinery, tools, molds and equipment.
- Furniture.
- Industrial vehicles and transport elements used in operations.
- Replacement of inventories, etc.

The aid will consist of a **non-convertible participating loan of between €25,000 and €1,500,000** depending on the level of equity and financial structure of the company and its rating. Up to 15% of the amount of the loan may be nonrepayable. The interest rate applicable to the repayable portion will be divided into two tranches: a first tranche with 0% interest and a second tranche, subject as the case may be, to variable interest (depending on the profitability of the company) of between 3% and 8% depending on the rating of the transaction. Payments of interest and principal will be quarterly and an arrangement fee of 0% of the loan amount will be charged.

The maximum term for repaying the loan will be 7 years and there will be a grace period of 2 years, with no guarantees additional to those required for the business project being required.

6. Preferred financing of the official credit institute (*instituto de crédito oficial* or ICO)



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Consistent with its objective to contribute to economic growth and to the improvement of the distribution of national wealth, the ICO cooperates with other national and international bodies and institutions which work for the benefit of industries which, given their social, cultural, innovative or ecological significance, merit priority attention.

Thus, for a number of years the ICO has been executing multilateral institutional and/or financial cooperation agreements with similar bodies, Autonomous Communities, ministries and financial institutions with a view to helping Spanish enterprises start-up new investment projects.

Apart from other lines intended for certain specific sectors, the following are the main ICO lines of financing for 2024: (i) ICO Enterprises and Entrepreneurs, (ii) ICO Mutual Guarantee Society/ State-owned Agricultural Surety Corporation Guarantee, (iii) ICO DANA SAECA MAP, (iv) ICO Commercial Credit, (v) ICO Red.es Accelerate, (vi) ICO Red.es Kit Digital, (vii) ICO MITMA Sustainable Mobility, (viii) ICO Exporters, and (ix) ICO International, whose most notable characteristics are:

- **Línea ICO Empresas y Emprendedores 2025** (ICO Enterprises and Entrepreneurs Line):

Among others, independent professionals and public and private enterprises who carry on their business activity in Spain may apply for these loans, irrespective of where their registered office for commercial or tax purposes is located and of whether the greater part of their capital is Spanish or foreign.

Transactions will be processed directly via credit institutions with which the ICO has executed a cooperation agreement for the implementation of this line.

The financing (which can take the form of loan, leasing arrangement, renting arrangement of line of credit) may be used for:

1. Investment projects and/or general requirements of the activity (i.e., liquidity needs: current expenses, payrolls, payments to suppliers, purchases of goods, etc.).
2. Technological requirements.
3. Acquisition of new or second-hand fixed assets.
4. Passenger cars and industrial vehicles.
5. The fitting-out and refurbishment of installations.
6. Acquisition of businesses.
7. Renovation or refurbishment of buildings, common elements and dwellings (in the case of owners' associations, groupings of owners' associations and private individuals).

The financing may cover up to 100%, while the **repayment and grace periods** will range between one of the following options:

- Between 1 and 6 years, with a grace period of up to one year for the repayment of principal,
- Between 7 and 9 years, with a grace period of up to 2 years,
- Of 10, 12, 15 and up to 20 years, with a grace period of up to 3 years.

The foregoing periods will apply independent of the items that are to be financed.

Regarding the applicable **interest rate**, the client can choose between a fixed or variable rate. In the latter case, the interest rate will be reviewed weekly by the credit institution in accordance with the provisions of the related financing agreement.

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The Annual Percentage Rate (APR) applicable to the transaction comprises the cost of the initial fee applied by the credit institution plus the interest rate, and cannot surpass the following limits:

- For 1-year forward transactions: fixed or variable interest rate plus a 2.30% margin.
- For 2- and 3- or 4-year forward transactions: fixed or variable interest rate, plus a 4% margin.
- For forward transactions of 5 or more years: fixed or variable interest rate plus a margin of up to 4.30%.

As regards fees, the credit institution may charge a fee at the start of the transaction which, together with the interest rate set by the credit institution, may not exceed the maximum APR that the credit institution can apply to the transaction according to its term.

In addition, where the transaction has been formalized at a fixed rate, a voluntary early repayment fee may be charged which will be 1% of the amount cancelled. On the other hand, where it has been formalized at a variable rate, a maximum fee of 0.50% will be charged, depending on the residual life of the transaction on the settlement date of the repayment.

In the case of mandatory early repayment, a fee will be charged in respect of a penalty equal to 2% of the amount improperly formalized.

Transactions can be executed with the credit institution throughout the whole of the year 2025 and the financing obtained will be compatible with any aid received from the autonomous communities and other institutions.

As a sub-type within this Line, the ICO has launched the so-called **ICO MRR Enterprises and Entrepreneurs Line** as a specific financial instrument through which to channel to enterprises the financing from NextGeneration EU funds within the framework of the Addendum or second phase of the Spanish Recovery, Transformation and Resilience Plan (referred to at length in [section 8.1](#) of this Guide).

The line, endowed with €8.15 billion, is aimed at granting financing to viable investment projects promoted by self-employed individuals and private enterprises with a Spanish interest, regardless of their size and sector (although special attention is paid to SMEs and self-employed individuals), provided that they meet certain requirements (among others, complying with the Do No Significant Harm or DNSH principle) or relate to new investments (i.e., investments not started before January 1 of the year prior to the formalization of the agreement with the financial institution) and whose execution does not last longer than 4 years from the signing of the agreement.

This Line includes two specific tranches, one, endowed with €1 billion, for enterprises in the tourism sector that promote, among others, the sustainability and modernization of the Spanish business infrastructure and another with €150 million, which seeks to cover various initiatives of the New Language Economy PERTE aimed at financing digitization projects at public or private Spanish universities.

As in the general line, the financing may cover up to 100% of the costs of the investment project and may take the form of a loan or a financial lease, subject to a wide range of repayment terms ranging from 1 to 20 years, with a grace period of up to 3 years and subject to (fixed or variable) interest rates agreed with the participating financial institution.

Transactions may be requested at participating financial institutions until June 1, 2026 and may be formalized until August 31 of the same year.

- **Línea ICO Garantía SGR/SAECA (Sociedad de Garantía Recíproca/Sociedad Anónima Estatal de Caución Agraria) 2025:** (ICO Mutual Guarantee Society/State-owned Agricultural Surety Corporation Guarantee Line):

Independent professionals, public and private enterprises and entities that have a guarantee or surety from a Mutual Guarantee Society or the State-owned Agricultural Surety Corporation, regardless of their registered office or tax domicile or of the nationality of their capital, can apply for these loans to make productive investments inside or outside Spain⁴⁴ and/or to cover their liquidity needs.

The application for the financing may be processed directly through credit institutions with which the ICO has executed a cooperation agreement for this product, vis-à-vis Mutual Guarantee Societies or vis-à-vis the State-owned Agricultural Surety Corporation. In fact, the Mutual Guarantee Society/ State-owned Agricultural Surety Corporation and the credit institution itself to which the application is submitted will be responsible for studying, processing, approving and/or rejecting the transaction.

⁴⁴ In the case of investments implemented outside Spanish territory, however, companies must prove that there is a Spanish interest in them. As a general rule, the ICO takes the view that there is a Spanish interest in the pursuit of business activities or investments outside Spain **where there is a direct or indirect ownership interest held by the Spanish company in the share capital of the foreign company** to which the financing is provided, or where there are supplies, works or services provided by Spanish companies.

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The financing may be used for:

1. **Liquidity** needs and, in particular, working capital needs to attend to operating expenses, payroll, payments to suppliers, purchase of goods, etc.
2. **Productive investments inside and outside Spain:**
 - Acquisition of new or second-hand fixed assets.
 - Passenger cars and industrial vehicles.
 - Fitting out and refurbishment of installations.
 - Acquisition of businesses.
 - Formation of businesses.

The amount may cover up to 100% of the financing needs, although the financial institution will be responsible for determining its maximum amount on the basis of its clients and the client's needs.

The financing may be formalized in the form of a loan, leasing arrangement, “renting” arrangement or line of credit. The Mutual Guarantee Society/State-owned Agricultural Surety Corporation may decide the amount of the transaction to be guaranteed, which may be up to 100%.

The client will be able to choose from among various **repayment periods and grace periods**, depending on the use to be given to the financing:

- Between 1 and 6 years, with the possibility of a grace period of up to 1 year for the repayment of principal.
- Between 7 and 9 years, with the possibility of a grace period of up to 2 years.
- Of 10, 12 and 15 years, with a grace period of up to 3 years.

As regards the applicable **interest rate**, the client may choose between a fixed or variable rate. If the transaction is carried out at a variable interest rate, the rate will be reviewed half-yearly by the credit institution in accordance with the provisions of the financing agreement.

The maximum annual cost of the transaction will be the sum of the amount of the initial fee and the interest rate established by the credit institution. This maximum annual cost may not exceed (i) the fixed or variable interest rate plus up to 2.3% for forward transactions equal to 1 year, (ii) the fixed or variable interest rate plus up to 4% for forward transactions of 2, 3 or 4 years, and (iii) the interest rate (whether fixed or variable) plus up to 4.30% for forward transactions equal to or over 5 years.

As regards fees, the credit institution may charge a fee at the start of the transaction.

In the case of voluntary early repayments, a fee will generally be charged equal to 1% of the amount cancelled where the transaction has been formalized at a fixed rate. A maximum fee of 0.5% will be charged where it has been formalized at a variable rate, depending on the residual life of the transaction on the settlement date of the repayment. In the case of mandatory early repayments, a fee will be charged in respect of a penalty equal to 2% of the amount improperly formalized.

The Mutual Guarantee Society, the State-owned Agricultural Surety Corporation and the credit institution will evaluate the application for financing and, having regard to the applicant's solvency and the project's viability, may require the provision of guarantees.

Transactions can be executed throughout the whole of 2025 and the financing obtained will be compatible with any aid received from the autonomous communities and other institutions.

• ICO-SAECA DANA/SAECA MAP Line

As part of the support measures for the agricultural sector included in the Immediate Response, Reconstruction and Relaunching Plan to address the effects of the isolated high altitude depression weather phenomenon known in Spain as DANA (*Depresión Aislada en Niveles Altos*) approved by the Spanish Government, a specific Line has been launched in conjunction with the Ministry of Agriculture, Fisheries and Food called the MAP-ICO DANA/SAECA Line, with the aim of supporting the economic and social normalization of the primary sector in the affected areas.

Against this backdrop, the line is targeted at owners of farms, whether natural or legal persons or unincorporated entities, located wholly or partially in the municipalities included in the territorial area affected by the DANA and that meet the requirements established in article 6 of Royal Decree-Law 4/2022. Activities that contribute to restoring the operation and viability of affected farms will be eligible for financing.

The maximum amount of financing per beneficiary with aid from the MAP, in one or more transactions, will be established in the respective call order, not to exceed, in any event, SAECA's operating limits, which are €600,000 for legal persons and €400,000 for self-employed individuals.

The financing can only be formalized under the loan option and SAECA will guarantee 100% of the transaction.

The aid which the beneficiary receives from the MAP will be paid in a single payment and will be calculated as 15% of the principal amount formalized in the ICO-MAP SAECA/DANA line, with a maximum amount of €15,000, for transactions by the same client. No aid will be granted for the part of the loan

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which exceeds €100,000. If after applying the aid to reduce the principal of the loan, there is any remaining amount of aid, because it is higher than the outstanding balance of the transaction, this amount will be credited to the client's account.

Depending on the purpose of the financing, the client may choose between different repayment periods (from a minimum of 1 year to 15 years) and grace periods (up to a maximum of 3 years). As regards the applicable interest rate, the client may choose between a fixed or variable rate. If the transaction is formalized at a variable interest rate, it will be reviewed every 6 months by the credit institution in accordance with the terms of the financing agreement.

The maximum annual cost of the transaction will be the sum of the amount of the initial fee and the interest rate established by the credit institution. This maximum annual cost may not exceed (i) the fixed or variable interest rate plus up to 2.30%, for transactions with a term equal to 1 year, (ii) the fixed or variable interest rate plus up to 4%, for transactions with a term of 2, 3 or 4 years, and (iii) the interest rate (whether fixed or variable) plus up to 4.30%, for transactions with a term equal to or greater than 5 years.

In the event of voluntary early repayment, a fee of 1% of the amount cancelled will be charged, in general, where the transaction has been arranged at a fixed rate. A maximum fee of 0.5% will be applied where the transaction has been arranged at a variable rate, depending on the residual life of the transaction on the repayment settlement date. In the event of mandatory early repayment, a penalty fee of 2% of the amount unduly formalized will become payable.

This aid may be requested until September 1, 2026 and the transactions may be formalized with the credit institution until November 1, 2026 and will be compatible with other aid

received from the autonomous communities or other institutions, although the limits specific to de minimis aid will be respected.

- **Línea ICO Crédito Comercial 2025** (ICO 2025 Commercial Credit Line)

This credit line can be applied for by independent professionals and enterprises with registered office in Spain who (i) issue invoices arising from firm sales of goods and services to a debtor located within Spanish territory or (ii) have a supporting document agreed with another company with registered office in Spain whereby the purchasing company undertakes to acquire goods from the company applying for the financing.

Specifically, such financing will be used to:

- **Obtain liquidity through the payment of advances on their billings** in respect of their commercial activity within national territory.
- **Cover prior production or manufacturing costs of goods** or services sold in Spain.

The advance payment of invoices with a maturity of not more than 180 days after the date of the transaction can be made. Similarly, pre-financing can be provided to meet the business's liquidity needs to cover the costs of production and manufacturing of goods or services sold in national territory. The pre-financing operation must in any event be cancelled prior to formalizing an operation for the payment of advances on billings in respect of assets for which pre-financing was provided.

Transactions are processed directly through credit institutions with which the ICO has executed a cooperation agreement for this product.

Up to 100% of the invoice amount or up to 100% of the liquidity to produce the good or provide the service may be financed.

The financial institution will determine the maximum amount according to its criteria and the client's needs, which will be set out in the financing agreement that the parties freely agree upon.

As regards the applicable **interest rate**, a variable interest rate will be applied, the conditions, dates and settlement method being those agreed upon with the credit institution in the corresponding financing agreement.

The credit institution may establish a fee at the start of the transaction which, together with the interest rate set by the credit institution, may not exceed the maximum APR applicable to the transaction. In the case of a mandatory early repayment, a fee of 1% of the amount improperly formalized will be charged as a penalty.

The Annual Percentage Rate (APR) applicable to the transaction will comprise the cost of the initial fee established by the credit institution plus the interest rate. The APR may not exceed the interest rate plus up to 2.30%.

Transactions can be executed with the credit institution throughout the whole of the year 2023 and this financing will be compatible with other aid received from the autonomous communities or other institutions.

- **Línea ICO Red.es Acelera (ICO Red.es Accelerate Line)**

The beneficiaries of aid indicated in the calls for applications published by Red.es, such as companies, foundations, associations, professional associations, local government entities,

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single-province autonomous communities and autonomous cities, universities, technological centers and technological innovation support centers, etc., can apply for this financing.

The financing can be used for projects for which the grant of aid by Red.es is approved, in accordance with the rules of the relevant call for applications for aid. By way of example, these include:

1. **Experimental development**, projects, such as the creation of prototypes, the demonstration, the preparation of pilot projects or the testing and validating of new or improved products, processes and services in technologies such as **Artificial Intelligence**, (the Internet of Things (IoT), 5G technologies, mass data and information processing, high-performance computing, cloud computing, natural language processing, cybersecurity, biometrics and digital identity, blockchain, robotics, artificial intelligence, virtual and augmented reality, special effects and simulation, micro/nanoelectronics, 3D printing-additive manufacturing) and **digital content** (specifically, the making available of data on a mass scale and in reusable formats, video games, digital animation, audiovisual contents, social media, etc.).
2. **Projects that foster the development, promotion and adoption of digital technologies** that can stimulate demand, as well as the development of projects that drive growth and entrepreneurship in the technological field.

The transactions will be processed directly through credit institutions that partner with the ICO in this product and such credit institutions will decide whether or not to grant the financing. Beforehand, the client must have obtained approval for the project and the grant of the related aid by Red.es, on the dates and the terms set in the relevant call for applications.

The financing will take the form of a loan and may cover up to 100% of the amount of the project (less the amount of any advance payment if requested) with the following repayment and grace periods:

- From 1 to 6 years with the possibility of a grace period of up to one year for the repayment of principal.
- From 7 years with the possibility of a grace period of up to 2 years.

As regards the applicable **interest rate**, the client can choose between a fixed and variable interest rate. If the transaction was formalized at a variable interest rate, the rate will be reviewed half-yearly by the credit institution in accordance with the provisions of the financing agreement.

The credit institution may charge a fee at the start of the transaction, the cost of which, together with the interest rate, may not exceed the maximum APR that the credit institution may apply to the transaction according to its term. In addition, a fee for voluntary early repayment may be applied equal to 1% of the amount cancelled if the transaction has been formalized at a fixed rate. Where it has been formalized at a variable rate, the credit institution may apply, depending on the residual life of the transaction, a maximum fee:

- Of 0.05% to transactions with a residual life of up to 2 years.
- Of up to 0.15% to transactions with a residual life greater than 2 years and less than 5 years.
- Of 0.40% to transactions with a residual life greater than 5 years.

In the case of mandatory early repayment, a fee will be charged in respect of a penalty equal to 2% of the amount improperly formalized.

The Annual Percentage Rate (APR) applicable to the transaction comprises the cost of the initial fee applied by the credit institution plus the interest rate, and cannot surpass the following limits:

- For 1-year forward transactions: fixed or variable interest rate plus a margin of up to 2.30%.
- For 2- and 3- or 4-year forward transactions: fixed or variable interest rate, plus a margin of up to 4%.
- For forward transactions of 5 or more years: fixed or variable interest rate, plus a margin of up to 4.30%.

Once the client has carried out the project, RED.es will verify that it qualifies for aid, which will be equal to the expense effectively incurred. The aid will be paid to the client by reducing the outstanding principal of the loan arranged by it with the Credit Institution. If the client has requested and obtained advance payment of the aid, it will be paid to it by deducting the advance payment. If there is any remainder following the deduction of the aid from the principal of the loan, because the amount of aid exceeds the outstanding balance of the operation, this will be credited to the client's account.

The line will be in force up to March 31, 2028, and the financing obtained will be compatible with the receipt of other subsidies or aid for the same eligible project originating from any government or public entity provided that the regulatory orders or legislation applicable in each case so permits.

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• ICO Red.es Kit Digital

This financing may be requested by natural or legal persons who have entered into a Digitalization Solutions Services Agreement in response to any of the calls for aid applications published by Red.es within the framework of the Kit Digital Program, provided they are classed as:

a. Beneficiaries of aid: small businesses, micro-businesses and self-employed persons, civil law partnerships with a commercial corporate purpose, professional civil law partnerships and jointly owned agricultural holdings that engage in an economic activity and whose domicile for tax purposes is in Spanish territory.

b. Enrolled Digitalizing Agent.

The operations will be processed directly through the credit institutions that collaborate with the ICO in relation to this product and it will be they who decide on the granting of the financing. The client must first have obtained approval of the project and been awarded the corresponding aid by Red.es, on the dates and under the conditions set out in the corresponding calls for applications⁴⁵.

The financing will take the form of a loan, credit line, factoring facility or any other type of arrangement agreed between the parties, and it may cover:

- For the business which is the beneficiary of the aid, up to 100% of the amount of the project (Digitalization solutions) minus the amount of aid granted by Red.es.
- In the case of the Digitalizing Agent, up to 100% of the sum of the amounts of aid approved by Red.es corresponding

to all Digitalization Solutions Services Agreements signed by the Digitalizing Agent with beneficiary businesses.

The **repayment term** for the financing may be 180 days or up to 2 years, in the latter case with the possibility of a 1-year grace period for the principal.

As regards the applicable interest rate, the client may choose a fixed or a variable interest rate for 1 and 2-year operations. For operations with a term of 180 days, however, only a variable interest rate is applicable. In the case of a variable interest rate, this shall be reviewed by the Credit Institution every 6 months, in accordance with the terms of the financing agreement.

The credit institution may apply a fee at the start of the operation, the cost of which, together with the interest rate, may not exceed the maximum APR that the credit institution is able to apply to the operation based on its term. In addition, a voluntary early repayment fee of 1% of the amount canceled may be applied if the operation has been arranged at a fixed rate. When it has been arranged at a variable rate, no fee shall be applied.

In the event of compulsory early repayment, a penalty fee equal to 2% of the amount unduly arranged will accrue, except when the Digitalizing Agent has already received the payment of the aid, for the amount credited.

The Annual Percentage Rate (APR) applicable to the operation will be made up of the cost of the initial fee applied by the credit institution plus the interest rate. The APR may not exceed the following limits:

- For operations with a term equal to 1 year: fixed or variable interest rate, plus a spread of up to 2.30%.
- For 2-year operations: fixed or variable interest rate up to 4%.

This line will remain in existence through to December 31, 2025.

• ICO MITMA Sustainable Mobility

This financing can be requested by beneficiaries of aid granted by the Ministry of Transport and Sustainable Mobility (MITMA by its Spanish abbreviation) in calls for applications published pursuant to Order TMA/892/2021 approving the "Program for aid to municipalities for implementing low-emission zones and the digital and sustainable transformation of urban transport", and to Order TMA/370/2022, approving the regulatory bases for the Support Program for Sustainable and Digital Transport.

Specifically, this financing line is available, by way of example, to (i) municipalities, supramunicipal local entities that group together various municipalities and groupings of municipalities (in the case of the first program) and (ii) private legal persons or entities from the public enterprise sector that pursue an economic activity in the market related to the activities eligible for subsidies and which are validly incorporated in Spain (in the case of the second program).

⁴⁵ Customers shall apply for aid from Red.es by filling out an automated form on the website specified in each call for applications, and Red.es shall issue a decision on the award of aid for those applications which have been approved.

Once the aid has been awarded, the client will be given a voucher for the amount awarded, of between €2,000 and €12,000, depending on the size of the business, and it may contact the Digitalizing Agent included in the Program of its choice. The contract between the business which is the beneficiary of the aid and the Digitalization Agent will take the form of a Digitalization Solutions Services Agreement, which sets out, inter alia, the functionalities to be implemented, the execution period, the obligations between the two parties and the amount of the applicable digital voucher.

The formalization of the Digitalization Solutions Services Agreement will entail the assignment, by the beneficiary to the Enrolled Digitalizing Agent, of the right to collect the amount of aid awarded in respect of such Agreement.

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The financing may be used for projects for which the grant of aid by the MITMA is approved, in accordance with the provisions of the relevant call for aid applications. For illustration purposes, it can be:

1. Program for Aid targeted at Municipalities, projects aimed at: (i) speeding up the implementation of low-emission zones, (ii) fostering modal change in urban and metropolitan environments toward more sustainable modes of transport, prioritizing collective public transport and active mobility so as to contribute to environment and health improvement objectives, (iii) fostering the transformation of public passenger and freight transport toward a zero-emission activity while improving system accessibility, and (iv) promoting the digitalization of the public transport service activity, resulting in greater system efficiency, better accessibility and benefits for public transport users.
2. Support Programs for Sustainable and Digital Transport, projects that contribute to the following objectives: (i) interoperability of rail freight transport, (ii) fostering transport intermodality, (iii) renovation of freight railway equipment, (iv) safe, sustainable and connected road transport, (v) air and sea transport sustainability, and (vi) transport digitalization.

The client must submit the application for financing to any of the credit institutions partnering with the ICO on this product. The credit institutions will ultimately decide on whether to grant the financing requested for projects obtaining MITMA approval. The client may ask the credit institution to pre-approve the financing subject to obtainment of the aid from the MITMA, although this will not be binding on the credit institution. The pre-approval granted will be notified to the MITMA.

The financing will take the form of a loan or lease arrangement and may be for up to 100% of the amount of the project (less the amount of the advance payment made) with the following repayment and grace periods:

- From 1 to 6 years with the possibility a grace period for principal of up to one year.
- From 7 to 9 years with the possibility of a grace period of up to 2 years.
- Of 10, 12, 15 and 20 years with a grace period of up to 3 years.

As for the **applicable interest** rate, the client may choose between a fixed or variable interest rate. If the transaction was formalized at a variable interest rate, it will be reviewed by the credit institution every 6 months in accordance with the provisions of the financing agreement.

The credit institution can apply a fee at the start of the transaction, the cost of which cannot exceed the maximum APR that the credit institution can apply to the transaction based on its term and additionally and optionally a fee of up to 0.25% of the amount formalized. In addition, the credit institution may apply a fee for voluntary early repayment in the amount of 1% of the amount cancelled if the transaction has been formalized at a fixed rate. If the transaction has been formalized at a variable rate:

- No fee will be applied to transaction with a residual life of up to 2 years.
- A fee will be applied:
 - o Of up to 0.10% to transactions with a residual life of more than 2 years and less than 5 years.

- o Of up to 0.20% to transactions with a residual life of more than 5 years and less than or equal to 10 years.
- o Of 0.50% to transactions with a residual life of more than 10 years.

In the case of mandatory early repayment, a fee will fall due in respect of a penalty equal to 2% of the amount improperly formalized.

The Annual Percentage Rate (APR) applicable to the transaction will consist of the cost of the initial fee applied by the credit institution plus the interest rate, excluding the additional fee of up to 0.25% of the formalized amount, and the APR cannot exceed the following limits:

- For transactions with a term of 1 year: fixed or variable rate plus up to 2.30%.
- For transactions with a term of 2, 3 or 4 years: fixed or variable rate, plus a spread of up to 4.00%.
- For transactions with a term equal to or greater than 5 years: fixed or variable rate, plus a spread of up to 4.30%.

The line will be valid until December 31, 2025 and will be compatible with Covid-19 guarantee lines and other European guarantee instruments provided that the conditions and deadlines required for them are specifically met.

In addition, mention should be made of the Guarantee Lines also promoted by the ICO, including most notably, for 2025, the following:

- **Guarantee Line for those affected by the DANA**

The initiatives approved in Royal Decree-Law 6/2024 of November 5, 2024, to mitigate the economic impact

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generated by the DANA include a specific Line of Guarantees managed by the ICO.

The ICO will allow the granting of State guarantees for 80% of the financing granted by financial institutions for the purpose of advancing the payment of indemnities from the *Consorcio de Compensación de Seguros* (the State-Owned Insurer of Last Resort) or other aid for which the different public authorities have issued a call. Additionally, self-employed individuals and enterprises will be able to finance the investments or the working capital necessary to recover their activity.

The Council of Ministers has already approved the activation of the first tranche of this line for €1 billion and a second tranche of the line for €240 million for self-employed individuals and SMEs, which also has an interest rate subsidy from the Secretary of State for Trade.

Institutions may apply for guarantees for financing transactions executed between October 29, 2024 and November 30, 2025 and guarantees may be granted until December 31, 2025.

Lastly, given its purpose, the **ICO 2025 International, the lines relating to Exporters 2025, and the ICO International Channel 2025 line** will be examined in [section 7](#) below, on “*Internationalization Incentives*”.

For more information in this connection, please see the [ICO website](#).

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7. Internationalization incentives



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Although it is not the aim of this publication to address incentives for Spanish investment abroad, this section is included in view of the obvious interest that Spanish investment abroad has sparked in foreign investors as a platform for international expansion.

In this context, please note that the official financial instruments approved by the Spanish Government to provide official support for the internationalization of business are, inter alia:

- FIEM (enterprise internationalization fund, managed by the Ministry of Economy, Commerce and Business through the Office of the Secretary of State for Trade).
- FIEEX (fund for investments abroad, managed by the Spanish Development Finance Company – *Compañía Española de Financiación del Desarrollo* or COFIDES).
- FONPYME (operating fund for SME investments abroad, managed by COFIDES).
- Pyme Invierte (managed by COFIDES).
- FOCO (Coinvestment Fund managed by COFIDES).
- Programs for the Conversion of Debt into Investment managed by the Ministry of Economy, Commerce and Business.
- The ICO Internationalization, Support for Exports Lines, etc.

Of all the foregoing financial instruments, particular regard must be had to the FIEM, the FIEEX, the FONPYME and FOCO, as well as the lines promoted by ICO in connection with internationalization, such as *Línea ICO-Internacional*, *Línea ICO-Exportadores* and *Línea ICO-Canal Internacional*.

Certain lines for the financing of specific sectors of economic activity (such as, inter alia, the FINTEC or FINCONCES lines targeted at new technologies industries or infrastructure concession), which had been offered by COFIDES and to which we referred in previous versions of the Guide, are no longer operative. This is because COFIDES has considered it more suitable (in the interest of greater simplification) to offer financing to all enterprises, regardless of the sector in which they operate, through the same lines of financing.

a. FIEM:

The FIEM is a fund without separate legal personality, created by Law 11/2010, of June 28, 2010, and conceived with the sole aim of offering official financial support for the internationalization of Spanish companies and for the implementation of direct investments abroad. To this end, it offers financing for (i) the conclusion of contracts for the export of Spanish goods and services, signed by companies resident in Spain with nonresident customers (FIEM Export), (ii) as well as for foreign investment projects undertaken by Spanish companies to expand their production capacity (FIEM Investment) or (iii) the provision of goods or services, on a concessional or commercial basis, respectively (Projects under the Project Finance scheme).

Specifically, the FIEM finances (i) transactions and projects of special interest to the strategy to internationalize the Spanish economy, (ii) the technical assistance required by such transactions and projects and (iii) technical assistance and consultancy services of special interest to the internationalization strategy, the objective of which is the preparation of viability, feasibility and pre-feasibility studies, studies related to the modernization of economic sectors or regions, and consulting services aimed at institutional modernization of an economic nature.

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However, the following will not be financed out of the Fund: (i) exports of defense, paramilitary and police materials to be used by the armed forces, police forces and security forces or the anti-terrorist services or (ii) projects related to certain basic social services such as education or health (unless they incorporate a high technology content) and, in general, the activities considered as energy activities in the fossil fuel production chain, with some exceptions.

The FIEM has specific lines of approval for transactions which, for projects with certain characteristics, may offer shorter processing times and lower fees. Specifically, a distinction may be made between (i) the **FIEM SME Small Projects Line** (to meet the financial needs of SMEs and finance small projects in export and foreign expansion transactions with credit facilities, specifically, of up to €10 million per contract carried out by a Spanish company), (ii) the **FIEM ECO Line** for projects to combat climate change (renewables, water, environment, waste management, recycling, substitution of fossil energy sources, etc.) with particularly flexible conditions, with maturities of up to 20 or 22 years, and (iii) the **EVATIC Line**, a non-refundable line of financing for feasibility studies, technical assistance, engineering and consulting services for projects and investments by Spanish companies abroad.

Potential recipients of financing from this Fund are foreign States, public authorities and public institutions, as well as public and private enterprises, not only from developed countries but also from developing countries (except for highly indebted poor countries or HIPC countries for which financing will only be granted on an exceptional basis). In this respect, although projects undertaken anywhere in the world are eligible, each year Guidelines are approved containing a list of priority countries⁴⁶.

In exceptional cases, FIEM aid may be granted to international organizations, provided that there is a clear commercial interest, from the point of view of internationalization of the Spanish economy, in the corresponding contribution.

The Office of the Secretary of State for Trade (included within the Ministry of Economy, Commerce and Business) is responsible for managing the FIEM and, accordingly, for (i) selecting the projects to be financed, (ii) drawing up the profiles and viability studies required to analyze the projects, (iii) assessing financing proposals and (iv) overseeing the execution and assessment of the projects. For its part, the Official Credit Institute (ICO) acts as finance agent, formalizing, in the name and behalf of the Spanish government and on behalf of the State, the relevant credit, loan or donation agreements as well as all the financial services relating to authorized transactions financed by the FIEM (i.e. technical implementation, accounting, treasury, paying agent, monitoring, etc.). The ICO disburses the funds to the company executing the project, as and when said company submits to a partnering credit institution located in Spain, the documentation evidencing the achievement of the milestones of the relevant commercial agreement.

For more details on the features and conditions applicable to the funding, please consult the information published by the Secretary of State for Trade on its websites (https://comercio.gob.es/Financiacion_para_internacionalizacion/FIEM/Paginas/index.aspx and https://comercio.gob.es/Financiacion_para_internacionalizacion/FIEM/Paginas/FAQs.aspx).

b. FIEX:

The purpose of the FIEX, which was created by Law 66/1997, of December 30, 1997, is to foster the internationalization and business activities of Spanish companies and, in general, the Spanish economy, through direct investments in minority and

short-term interests in the equity of companies located, in juridical terms, outside Spain, specifically through holdings in the capital (equity) or quasi-equity instruments (coinvestment loans, etc.) in viable private projects abroad in which there is some type of Spanish interest.

The maximum amount of the **financing** is €50 million subject to a minimum amount of €250,000. Applications must be submitted to COFIDES, which is the manager of the Fund.

c. FONPYME:

The FONPYME is intended to finance direct short-term and minority holdings in the capital stock or equity of small and medium-sized Spanish companies for their internationalization, or of companies located outside Spain (but in which there is some kind of Spanish interest), through participative financial instruments.

Additionally, according to the provisions of Royal Decree 321/2015, of April 24, 2015, direct short-term and minority holdings may also be acquired in “capital expansion funds” or vehicles with official support, whether already existing or to be established, and in private investment funds, provided that they foster the internationalization of the Spanish enterprise or economy.

⁴⁶ According to the 2025 Guidelines, the following are considered priority countries:

- America: Brazil, Chile, Colombia, United States, Uruguay, Mexico and Peru.
- Asia: Philippines, Indonesia, Vietnam and India.
- Oceania: Australia.
- Europe: Serbia.
- Africa, Mediterranean countries and the Middle East: Angola, Saudi Arabia, Egypt, United Arab Emirates, Kenya, Morocco, Nigeria, Qatar, South Africa, Tunisia (for the small and medium projects line) and Turkey.
- HIPC countries: Côte d'Ivoire, Senegal, Uganda and Tanzania.

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The maximum amount of the financing is €5 million, with a minimum of €75,000 per transaction. Applications must be submitted to COFIDES, which is the manager of the Fund.

d. PYME INVIERTE (SME INVEST):

This line, which is managed by COFIDES and ICEX Spain Exports and Investments, offers financing to Spanish SMEs that wish to undertake either a productive investment project outside Spain with financing needs in the medium or long term (more than 3 years) or a start-up of commercial activities outside Spain. Maximum financing will vary according to the SMEs objectives:

- In productive investments, the amounts will vary between €75,000 and €10,000,000 and comprise financing of up to 80% of the project's medium and long-term needs, through ordinary and co-investment loans to the Spanish company, subsidiary or branch abroad. The period of financing will be between 5 and 10 years.

These investments must be aimed at creating or expanding a company or acquiring a pre-existing company, or at financing non-current assets and financial assets.

- In start-ups of commercial activities, the investment will range from €75,000 though €1,000,000 and will comprise financing of up to 80% of the expenses associated with the enterprise's commercial implementation (expenses incurred on structure, salaries, wages and associated promotional expenses incurred by the subsidiary or branch), through ordinary or coinvestment loans to the Spanish company, subsidiary or branch abroad. The maximum repayment period is 3 years without a grace period.

This financing is targeted at projects that have an income-generating portfolio of customers in the country in which the investment is to be made.

e. FOCO:

The Co-investment Fund (FOCO) was created under the provisions of Royal Decree-Law 8/2023, of December 27, 2023, adopting measures to combat the economic and social consequences of the conflicts in Ukraine and the Middle East, and to mitigate the effects of the drought, and whose activity and operating rules were approved by the Council of Ministers Decision of April 16, 2024.

This is a public financial instrument in the form of a fund without legal personality, the objective of which is to mobilize resources from foreign investors, both public and private, to promote productive investments by private companies in Spain in strategic sectors.

The FOCO, which is managed by COFIDES, is preferably to act through the taking of minority stakes in the share capital of companies or contributions to investment funds or vehicles, in addition to which use may be made of financial debt instruments or hybrid capital instruments.

Although it is set up with an initial allocation of up to €2 billion, its amount may be increased through additional allocations established annually, on a cumulative basis, in the General State Budgets. In fact, it is created for an indefinite term, so that the returns obtained from the investments financed will be reinvested in new operations in line with the Fund's strategy and objectives, in order to continue supporting the challenges associated with the sustainable transformation of the Spanish production model.

The target sectors of this co-investment will be sectors that contribute to the strategic objectives of the Spanish Recovery, Transformation and Resilience Plan, and as a priority, those related to the green and digital transition, and in particular those aimed at renewable energies, clean technologies and information technology. Activities involving investment in sustainable mobility, sustainable infrastructure, sustainable agriculture, etc. are also classed as strategic for these purposes.

FOCO investments will in all cases be made jointly with a foreign co-investor. Co-investors may be: (i) private companies with ownership interests in corporate entities in Spain, (ii) foreign private (investment funds, pension funds, insurance companies, etc.) and public (public pension funds, sovereign funds) institutional investors, or (iii) Spanish private investment vehicles and entities which attract foreign investors. The amount contributed by the foreign co-investors in each operation must be at least equal to the contribution made by FOCO. FOCO's ownership interests in the vehicles in which investments are made may not be majority stakes.

Likewise, FOCO's investment strategy may be (i) direct, i.e. in private companies, whether in existence or newly created, which are based in the European Union and have a workplace in Spain, or (ii) through Spanish venture capital and infrastructure funds or European funds of these types that include Spain as a destination for their investments and that meet the eligibility criteria.

The minimum amount of FOCO funding is €10 million, the maximum being €150 million per sponsor group or fund.

f. Línea ICO-Internacional 2025: (2025 ICO International Line):

Línea ICO-Internacional 2025 is aimed at self-employed persons and enterprises and Spanish public and private entities

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(foundations, NGOs, public authorities, etc.) domiciled in Spain or abroad but which have a Spanish interest and wish to pursue activities outside Spain.

The application for financing must be submitted to any of the credit institutions that partner with the ICO on this product, and the client can arrange transactions with such institution throughout 2025.

The financing can be used for investment projects and/or the general needs of the activity, including, among others: (i) new or second-hand productive fixed assets, (ii) vehicles and industrial vehicles, (iii) acquisition of companies, (iv) creation of enterprises abroad, (v) technological needs, (vi) upgrade and reform of installations, (vii) investments outside Spain, (viii) liquidity needs: operating expenses, payroll, payments to supplies, purchases of merchandise, etc.

Up to 100% of the financing needs of self-employed persons and enterprises may be financed, both for the pursuit of their business activities and investments and to meet liquidity requirements in Spain or abroad, and the financial institution will determine the maximum amount based on its criteria and the client's needs. It may take the form of a loan, leasing arrangement or line of credit.

The repayment period and grace periods are: (i) from 1 to 6 years, with the possibility of a grace period of up to one year for the repayment of principal, (ii) from 7 to 9 years, with the possibility of a grace period of up to 2 years, (iii) or of 10, 12, 15 or 20 years, with the possibility of a grace period of up to 3 years for the repayment of principal.

The APR on the operation may not exceed the following thresholds:

- For transactions with a term equal to 1 year: a fixed or variable rate, plus up to 2.30%.
- For transactions with a term of 2, 3 or 4 years: a fixed or variable rate, plus up to 4%.
- For transactions with a term of 5 years or more: a fixed or variable rate, plus up to 4.30%.

The client can choose between a fixed or variable interest rate, unless the transaction is formalized under a "renting" arrangement, in which case the interest rate must be a fixed rate. It should also be noted that if the transaction is formalized at a variable interest rate, the rate will be reviewed every 6 months by the financial institution in accordance with the terms of the respective financing agreement.

Lastly, with regard to fees, it is to be noted that the financial institutions can charge a fee at the start of the operation, although the cost of such fee plus the interest rate may not exceed the maximum APR which the institution is able to apply to the operation based on its term.

Similarly, credit institutions can apply a voluntary early repayment fee which is generally 1% of the amount cancelled if the transaction was executed at a fixed rate. Where it was executed at a variable rate, a maximum fee of 0.5% will be applied, depending on the residual life of the transaction on the date on which the repayment is made. In the event of mandatory early repayment, a penalty equal to 2% of the amount cancelled accrues.

Lastly, it should be noted that this type of financing may be combined with other aid granted by the Autonomous Communities and other public institutions.

g. Línea ICO Exportadores 2025: (2025 ICO Exporter Line):

This line of financing may be requested by independent professionals and enterprises with registered office in Spain who wish to obtain liquidity through an advance on the invoices from their export activity.

In particular, the financing is related to invoices issued within the framework of a transaction consisting of the final sale of goods and services supplied to a customer located outside Spain or to those with a document agreed with an enterprise that has its registered office outside Spain, evidencing that the purchaser undertakes to acquire goods from the enterprise that has its registered office in Spain, independent of the name and form given to such document. Invoices must be payable not more than 180 days after the transaction's execution date.

Financing is also available in the form of pre-financing of the company's liquidity needs to cover the production and manufacturing costs of the goods or services to be exported. This transaction is required to be cancelled prior to the formalization of the transaction consisting of an advance on invoices relating to the goods which were pre-financed.

In both cases, up to 100% of the amount of the invoice or up to 100% of the liquidity to produce the goods or provide the service may be financed, and the financial institution will determine the maximum amount based on its criteria and the client's needs.

The APR of the transaction may not exceed the interest rate plus a spread of up to 2.30%. The financial institution will apply a spread to the variable rate depending on the risk that the company or project to be financed represents for the bank.

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Under no circumstances may this spread exceed the maximum established by the ICO.

The interest rate applied to the customer will be variable and, as with the dates and method of payment, will be agreed between the credit institution and the customer within the framework of the agreement formalized.

Lastly, it should be mentioned that the credit institution can charge a fee at the start of the operation, although such fee added to the interest rate set may not exceed the maximum APR applicable to the operation. Also, the client may be charged a fee in the event of mandatory early repayment, equal to 1% of the amount cancelled.

Transactions may be formalized throughout the whole of 2025, this instrument being compatible with other aid received from the autonomous communities or from other institutions.

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8. EU aid and incentives



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8.1 NEXT GENERATION EU

Against the backdrop of the global health crisis caused by the Covid-19 pandemic and in order to respond to the serious social and economic impacts stemming from such pandemic, the European Council held a special meeting from July 17 to 21, 2020, which resulted in an agreement to approve a raft of extraordinary measures aimed at supporting the recovery of the economy of the European Union and its Member States in this difficult environment.

To this end, and with a view to reinforcing the Union's multiannual budget for 2021-2027, endowed with €1.210 trillion (in current prices)⁴⁷, the creation of the European Recovery Instrument "NextGenerationEU" (**NextGen**) was approved. The instrument seeks to mobilize up to an additional €806.9 billion⁴⁸ during the period from 2021 to 2026, with a view to helping to counteract the economic and social damage caused by the pandemic and to build a Europe that is greener, more digital, more resilient and better fit for forthcoming challenges. In short, it represents the **largest ever financial stimulus package approved at EU level**.

Of the €806.9 billion made available to the Member States, **Spain is one of the main recipients**, having been allocated **more than €160 billion** (between non-repayable transfers and loans)⁴⁹, as will be explained in detail in below. The mobilization of such a significant volume of resources opens up a special opportunity for Spain, comparable to the economic transformation process that it underwent when it joined the Union.

To fund the recovery process linked to the NextGen funds, the European Union borrows on international capital markets thanks to the new possibility provided for in Council Decision 2020/2053, of December 14, 2020, on the system of own resources of the European Union (**Own Resources Decision**), which was ratified by all the Member States at the end of May 2021.

The legal basis for the European Recovery Instrument lies, essentially, in **Council Regulation (EU) 2020/2094, of December 14, 2020**, the objective of which is to **drive the transformation and modernization of the Member States' economies**, mainly from the standpoints of the green and digital transition, while also contributing to the recovery and enhanced resilience of the Union as a whole against future crises.

The measures that the Recovery Instrument seeks to finance are essentially aimed at: (i) restoring labor markets and creating jobs, (ii) reinvigorating potential for sustainable growth and strengthening cohesion among Member States, (iii) providing support to businesses affected by the impact of the health crisis (in particular SMEs), (iv) strengthening research and innovation as mechanisms to respond to crises, (v) enhancing the Union's preparedness for serious emergencies, (vi) ensuring a just transition to a climate-neutral economy, and (vii) increasing the ability to respond in this context also from the standpoint of agriculture and rural development.

⁴⁷ €1.8 trillion in 2018 prices.

⁴⁸ Equivalent to €750 billion in 2018 prices.

⁴⁹ After the update of the amounts initially allocated to the Member States based on the final figures of GDP growth in 2020 and cumulative growth between 2020 and 2021, as provided for in article 1(1) of Regulation (EU) no. 2021/240, of February 12.

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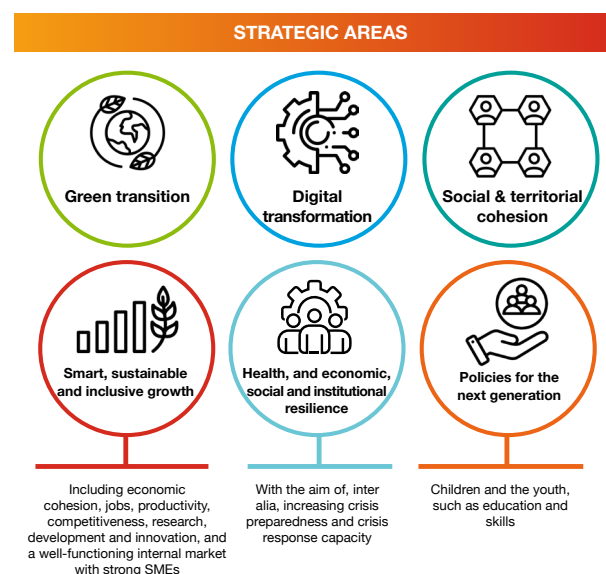
8.1.1 EUROPEAN RECOVERY AND RESILIENCE FACILITY

The NextGenerationEU instrument is implemented through **7 individual financial programs**. Its total budget is allocated among the programs as follows:

- **Recovery and Resilience Facility** (centerpiece of NextGenerationEU): endowed with **€723.8 billion**⁵⁰ of which €338 billion will be channeled through non-repayable transfers or grants and the remaining €385.8 billion through loans to be repaid by the Member States⁵¹.
- REACT-EU: €50.6 billion.
- Horizon Europe: €5.4 billion.
- InvestEU: €6.1 billion.
- Rural Development: €8.1 billion.
- Just Transition Fund: €10.9 billion.
- RescEU: €2 billion.

The most significant one, given its amount, is undoubtedly the **Recovery and Resilience Facility (RRF)**, which is governed by **Regulation (EU) 2021/240 of the European Parliament and of the Council of February 10, 2021** and was created with the aim of providing financial aid that encourages the Member States to undertake the reforms and investments required to transform their economies, in accordance with the respective **National Recovery and Resilience Plans** to be drawn up to be able to opt for the financing.

These Plans must propose a coherent set of actions aligned with the following six pillars or strategic areas:



Source: https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html

These Plans had to be consistent with what was established in (i) the national reform programs, (ii) the priorities set for each country in the European Semester for coordinating economic policies “**European Semester**” and (iii) to be aligned with the goals set, among others, in the Paris Agreement, the National Energy and Climate Plans, the Just Transition Plans, the Youth Guarantee implementation plans, and the operational programs adopted under the Union funds.

The contents of the Plans are evaluated by the Commission, according to a wide range of criteria set out in the Regulation itself, including, taking into account the specific reforms and investments proposed by each State.

From the financial standpoint, the Member States could choose whether or not to use all of the maximum financial allocation appropriated to them under the RRF (either as non-repayable transfers or loans) based on certain objective variables established in the Regulation itself such as the inverse of GDP per capita, the percentage of population, or the unemployment rate.

If a Member State opted to use the financial resources appropriated to it in the form of loans, it had to meet additional requirements on the basis of a duly substantiated request, invoking the existence of higher financial needs linked to additional reforms (in particular for the green and digital transitions). The loan will be formalized by means of a **loan agreement to be signed between the Commission and the Member State** concerned, essentially

⁵⁰ All figures indicated in this section are in current prices.

⁵¹ However, according to the information contained in the RRF Scoreboard published by the European Commission (https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html), the total financial envelope of the RRF at mid-October 2024 stands at €650 billion (of which €359 billion take the form of grants and €291 billion of loans).

This is because, following a subsequent amendment to the RRF Regulation, additional grants under the Emissions Trading System (ETS) and Brexit Adjustment Reserve (BAR) have been made available to Member States. Therefore, the €359 billion in grants is now split in €338 billion of original RRF grants, €19 billion in ETS grants and €2 billion in BAR grants. Furthermore, of the total available envelope of €385 billion in loans, only €291 billion has been committed by end 2023 (August 2023 being the deadline for Member States to request loan support).

These two changes (more grants available through ETS and BAR and less loans requested than the total available envelope) result in the current total RRF envelope of €650 billion.

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specifying its amount, average maturity, the pricing formula, maximum number of installments and repayment schedule⁵².

In any event, as a general rule, the actual release of the funds granted to the Member States takes place in installments and is conditional on the satisfactory fulfillment of the milestones and targets set out in the respective National Recovery and Resilience Plans approved by the EU institutions. For this purpose, the RRF Regulation stipulates that States can submit requests for payment twice a year, although States may obtain an advance (pre-financing) of an amount of up to 13% of the financial contribution granted, if they requested it when they submitted their National Plan.

In particular, the process of verification of the satisfactory fulfillment of the milestones and targets committed to by each State will require the favorable opinion of the Council's Economic and Financial Committee, on the basis of a preliminary assessment by the Commission. If, exceptionally, one or more Member States consider that there are serious deviations from the satisfactory fulfillment of the relevant milestones and targets, they may request the President of the European Council to refer the matter to the European Council for subsequent examination.

Lastly, the RRF Regulation introduced a number of measures linking the receipt of the funds to the implementation of sound economic governance so that if a State fails to comply, the Council may, following a proposal by the Commission, suspend all or some of the commitments or payments (subject to a maximum of 25% of the commitments or 0.25% of its nominal GDP, depending on the specific case).

Lastly, it is worth highlighting the key role that the RRF plays in the implementation of the **REPowerEU Plan** as the response given by the EU Commission to the hardships and global energy market disruption caused by Russia's invasion of Ukraine and which seeks

both to reduce the EU's energy dependence on Russian oil and gas and to combat the climate crisis.

In addition to **strengthening the EU's strategic autonomy** in the energy sector (particularly in the gas sector), the Plan focuses on **supporting the transition to clean energy from renewable sources** and joining forces for a more resilient energy system. This is in line with the ambitious measures established in the "Fit for 55" package [which seeks to reduce net greenhouse gas emissions by at least 55% by 2030 and to achieve climate neutrality in the EU by 2050] and set out, among others, in the new **Renewable Energy Directive** [Directive 2023/2413, of the European Parliament and of the Council of October 18, 2023 amending Directive (EU) 2018/2001, Regulation (EU) 2018/1999 and Directive 98/70/EC as regards the promotion of energy from renewable sources] or through the approval of the **Green Deal Industrial Plan** to enhance the competitiveness of Europe's net-zero industry.

To achieve these objectives, the Commission has mobilized close to €300 billion, with the RRF itself at the heart of this funding. Precisely to support the implementation of the **REPowerEU Plan**, an additional €225 billion were included in the form of loans and the allocation of grants made available to the States was also increased up to a maximum amount of €20 billion from the **Innovation Fund** (60%) and the sale of Emission Trading System (ETS) allowances (up to the remaining 40%).

In order to give adequate legal support to these new measures, the Commission proposed the necessary changes to the RRF Regulation, which were finally approved by the Council on February 21, 2023. Likewise, **specific guidance was provided to Member States** on how to modify and supplement their National Recovery and Resilience Plans in the context of the REPowerEU Program, requiring them to propose additional reforms and investments

linked, among others, to (i) improving energy infrastructure, (ii) boosting energy efficiency in buildings, (iii) decarbonizing industry, (iv) increasing the production and uptake of sustainable biomethane and renewable hydrogen, (v) increasing the share of renewable energy, (vi) supporting zero-emission transport, (vii) storing electricity, etc.

According to the information made public by the Commission, of the 27 approved Recovery Plans, 23 of them were revised in 2023 to include a specific chapter dedicated to RePowerEU (including, as we will see below, that of Spain).

8.1.2 SPANISH ECONOMIC RECOVERY, TRANSFORMATION AND RESILIENCE PLAN AND ITS ADDENDUM

a) Overview

Spain is not only one of the countries with the largest allocation of funds under the RRF (more than €160 billion in total) but also one of the most advanced in the deployment and implementation of the Recovery, Transformation and Resilience Plan submitted by it.

It is worth recalling that the initial version of the **National Recovery, Transformation and Resilience Plan (RTRP) was approved**, following a favorable report from the Commission, by the EU Economic and Financial Affairs Council (ECOFIN) **on July 15, 2021**, and included an ambitious program comprising 212 measures of which 110 were investment projects and 102 reforms to be implemented mainly in the 2021-2023 period, out of the €70 billion initially allocated to Spain as non-repayable transfers.

⁵² In applying the calculation adjustment mechanism applied with respect to all Member States as provided for in the above-mentioned article 11(1) of Regulation (EU) no. 2021/240.

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RECOVERY PLAN, TRANSFORMATION AND RESILIENCE

SPAIN

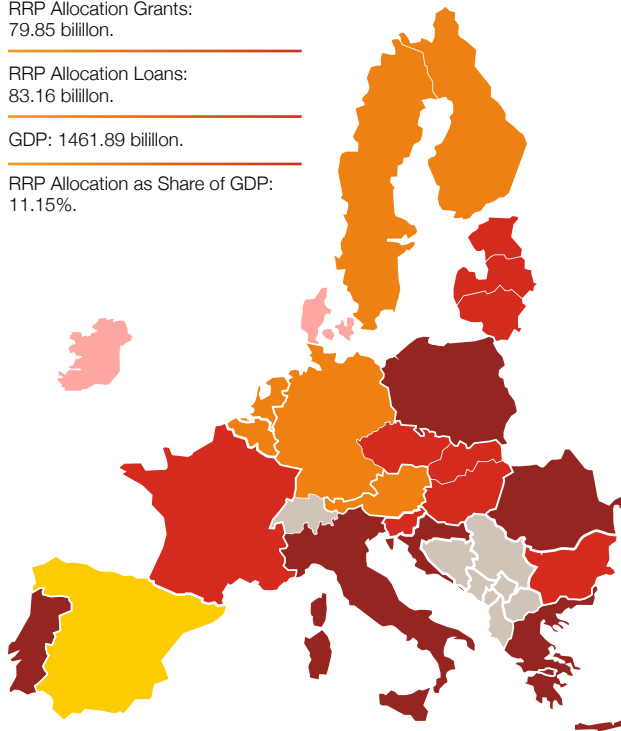
Country Overview

RRP Allocation Grants:
79.85 billion.

RRP Allocation Loans:
83.16 billion.

GDP: 1461.89 billion.

RRP Allocation as Share of GDP:
11.15%.



Source: https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html

Notwithstanding the above, and based on the experience gained, Spain submitted to the Commission in June 2023 a proposal for an **Addendum** to the RTRP with the aim of mobilizing all the financial resources allocated to it, i.e., not only the €79.8 billion corresponding to the complementary allocation of non-repayable transfers⁵³ but also the nearly €84 billion corresponding to loans and the €2.6 billion linked to the execution of investments in energy autonomy under the above-mentioned REPowerEU Program.

On the other hand, this proposal to modify the initial Spanish Plan involved the incorporation of 42 new investment and reform measures and the reinforcement of a further 17 of those already provided for in the initial Plan, which now comprised a total of 252 measures (142 of which were investment measures and the rest legislative reforms). This amendment was favorably evaluated by the Community institutions and adopted by the Council on October 17, 2023⁵⁴.

Of the above amounts, **a total of €10 billion** (between non-repayable transfers and loans) were **used to reinforce the allocation made to the twelve Strategic Projects for Economic Recovery and Transformation – PERTEs** – approved in the fields of electric vehicles, energy, agri-food, industrial decarbonization, modernization of the agri-food sector, digitalization of the water cycle, promotion of the circular economy, the new social and care economy, microprocessors and the aerospace sector (to which we will refer, in detail, a bit further below), according to the breakdown described in the following chart.

⁵³ Following the upward revision of the amount initially allocated to Spain under article 11.1 of the RRF Regulation.

⁵⁴ The NRRP has been the subject of a further proposal for modification submitted by the Spanish Government to the Community institutions on December 3, 2024 under the name of **Technical Addendum**. According to the information disclosed by the Office of the Prime Minister, this Technical Addendum is intended to bring forward the verification of more than 50 already met milestones and objectives, to expedite the disbursement of payments initially planned and to reprogram the first two loans which go from having 29 milestones and objectives to including more than 80 milestones and objectives. This Technical Addendum also served to request **a reprogramming of some of the approved funds in order to direct them to actions that contribute to rebuilding and relaunching the areas of Spain affected by the weather event (DANA) that occurred at the end of October 2024.**

This new amendment has been favorably evaluated and was approved by the Council on January 21, 2025.

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	TRANSFERS PHASE 1 OF PLAN	ADDITIONAL TRANSFERS	LOANS	REPOWER	TOTAL	TOTAL Phase 1 of Plan + Addendum
Microelectronics and Semiconductors (Chip)	275	1,225	10,750	–	11,975	12,250
Renewable Energy, Renewable Hydrogen and Storage (ERHA)	6,600	1,556.6	–	2,640	4,196,6	10,797
Electric and Connected Vehicle (VEC)	2,870	250	1,000	–	1,250	4,120
Water Cycle Digitalization	430	1,250	1,805	–	3,055	3,485
Industrial Decarbonization	450	1,020	1,700	–	2,720	3,170
Care Economy	766,3	1,000	–	–	1,000	1,766
Vanguard Health	810.1	500	330	–	830	1,640
Agri-Food Industry	747	150	460	–	610	1,357
Aerospace	590.7	100	240	–	340	931
Circular Economy	192	600	–	–	600	792
New Language Economy	323.5	–	401	–	401	725
Naval	150	–	–	–	–	150
Total	14,205	7,652	16,686	2,640	26,978	41,182

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As regards the use of resources requested in the form of loans, it should be noted that, as indicated in the Addendum itself, **they will be preferentially framed within programs for the acquisition of financial assets** in order to ensure adequate fiscal sustainability.

Consequently, **the use of fourteen funds** is envisaged for the purposes of the mobilization: **11 newly-created funds**, plus three others created back in 2020 to support businesses affected by Covid-19 together with the **Next Tech Fund** to finance

technological start-ups and businesses in the scaling-up stages as described in the attached chart.

FUNDS FINANCED FROM LOANS

Fund name	Amount (M€)	Intended use of the funds
ICO-Green line	22,000	Line to increase financing available for the green transition.
Autonomous Community Resilience Fund	20,000	Fund managed by the European Investment Bank for the provision of loans and other financial instruments for sustainable investments in priority investment areas. 1. Social and affordable housing and urban regeneration. 2. Sustainable transport. 3. Industrial and SME competitiveness. 4. Research, development and innovation. 5. Sustainable tourism. 6. Care economy. 7. Water and waste management and energy transition.
ICO Companies and Entrepreneurs line	8,000	Line for financing business growth and resilience with a specific sub-line dedicated to companies in the tourism sector.
Fund for scaling up tech start-ups Next Tech	4,000	Financing for tech start-ups and companies in the technological scaling-up stage.
Line for promoting social and rental housing	4,000	To increase the supply of social or affordable rental housing and improve the existing social housing stock.
Cyber Resilience and Security Instrument	2,157	1. Cybersecurity Program (CYBER) to strengthen the government's cybersecurity capabilities. 2. Resilience and Security Fund to boost productive investments in the security, defense, aeronautics and space sectors.
Co-investment Fund (FOCO)	2,000	To co-invest in Spanish companies with sovereign wealth funds and institutional investors.
Spain Audiovisual Hub Fund	1,500	Loans and other financial instruments for companies in the audiovisual sector to promote productions carried out by this industry in Spain.
FFund for companies affected by Covid-19 (Sepi and Cofides)	1,020	To strengthen the business solvency of companies that are key to the productive fabric.
SME support instrument	913	1. SGR-CERSA guarantee instrument: to re-guarantee guarantee operations or financial, commercial and technical guarantees of the Mutual Guarantee Societies in favor of SMEs. 2. Entrepreneurship and SME Fund (ENISA) financial support to viable and innovative SMEs both in their creation phase (start-ups) and in their growth phase (scale-ups).
Tax Incentives Fund	483	Tax incentives to boost green investments by businesses and households.
Social Impact Fund (FIS)	400	Fund dedicated to investments that seek a quantifiable and measurable overall social/environmental impact, with a financial return at least equal to the principal invested.
TOTAL	66,473	

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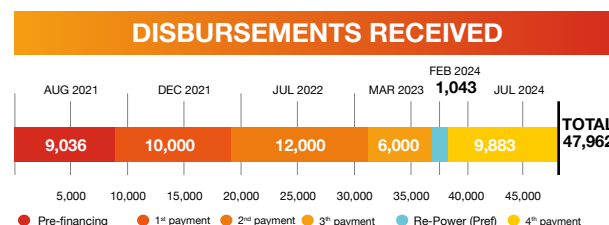
Among the new Funds, the **Regional Resilience Fund**, managed by the EIB Group, is particularly noteworthy. It is designed to finance, on advantageous terms and on a long-term basis, sustainable public and private investment of a regional nature in areas such as social and affordable housing and urban regeneration, sustainable transport, industrial and SME competitiveness, research, development and innovation, sustainable tourism, the care economy, water and waste management and energy transition, for which it is endowed with €20 billion.

The Fund was launched in the second half of 2024, after the signing of the corresponding **Framework Partnership Agreement with the EIB Group** and the creation of the **Investment Board** as a collegiate body – attached to the Ministry of Economy, Commerce and Business – in charge of approving the projects to be financed, and composed of representatives of all the autonomous communities and cities, the Spanish Federation of Municipalities and Provinces, the Office of the Prime Minister, the Ministry of Economy itself and the European Investment Bank⁵⁵.

Also along these lines, it is worth mentioning the launch of the **Co-investment Fund to Attract Foreign Investment** (FOCO), endowed with €2 billion from the Addendum to the National Recovery, Transformation and Resilience Plan (NRTRP) and also launched during 2024 through COFIDES, the state-owned public company in charge of its management. The purpose of this Fund is to boost foreign investment in the Spanish economy by fostering access to companies specifically linked to the green and digital transition and technological innovation.

The Addendum includes a **schedule for implementation** of the proposed reforms and investments which **goes up to 2026**

and introduces, as noted, significant changes to the milestones and targets envisaged in the initial version of the Plan, to adapt it to changes in socio-economic conditions which have taken place, by virtue of the provisions of article 21 of the RRF Regulation itself. These changes have consequently affected the schedule for disbursement of funds initially planned, but this has not prevented Spain from being the leader in terms of the volume of public funds received as transfers, in an amount that, as of December 2024, was already close to €48 billion, i.e. 60% of the total (as shown in the attached chart).



Source: State of play as of June 30, 2024 according to <https://planderecuperacion.gob.es/noticias/conoce-balance-plan-recuperacion-primer-semester-2024-adenda-ejecucion-datos-convocatorias-prtr>

Added to the above is the submission at the end of December 2024 of the formal request for a fifth disbursement worth more than €25 billion (of which €9.1 billion correspond to grants and the rest to loans) linked to the fulfillment of another 84 milestones and targets (including 55 initially linked to future disbursements but which Spain has fulfilled early).

Finally, it should not be forgotten that the RTRP (and its Addendum) is designed to be a country-wide project, its implementation requiring the involvement of government at all levels and all public authorities, accordingly, its management is based on a principle of co-governance and ongoing dialog with the Autonomous Communities and local authorities.

According to the information published by the Ministry of Finance and Public Service, by the end of November 2023, more than €26 billion had already been allocated to the Autonomous Communities and Cities to undertake investments in their areas of competence, such as education, housing, health and social policies, based on the criteria agreed upon in the 161 Sectoral Conferences held to date. The distribution by territories and amounts are shown in the following chart.

⁵⁵ Specifically, through Order ECM/1066/2024, of October 3, 2024, creating the collegiate body that will act as the Investment Board for the financial instruments of the Regional Resilience Fund.

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ALLOCATION OF FUNDS TO THE AUTONOMOUS COMMUNITIES

November 30, 2023. Millions of euros

Andalucía - €4,077 M	Aragón - €903 M
Cataluña - €3,963 M	Extremadura - €818 M
Madrid - €2,875 M	Murcia - €791 M
C. Valenciana - €2,471 M	Asturias - €638 M
Canary Island - €1,622 M	Navarra - €542 M
Castilla y León - €1,621 M	Cantabria - €436 M
Galicia - €1,529 M	La Rioja - €323 M
Castilla-La Mancha - €1,308 M	Melilla - €47 M
Basque Country - €1,152 M	Ceuta - €50 M
Balearic Island - €1,035 M	



TOTAL ALLOCATED TO THE AUTONOMOUS COMMUNITIES: €26,199 M

Source: Ministry of Finance and Public Service.

b) The structure of the Spanish Recovery, Transformation and Resilience Plan: policy levers and components.

Against this backdrop, it is worth recalling, albeit it briefly, that the RTRP (like its Addendum) is structured around the following **4 strategic or cross-cutting pillars**, which form the basis of the structural reforms and investments that are proposed in it.

1. **Green transition**, as a key element in the reconstruction phase, based on the **circular economy** as a lever for **industrial modernization, the strategic framework of energy and climate** as a parameter for the **transition of the energy system, water management** and its infrastructure, the resilience of the coast or soil quality and sound territory management.

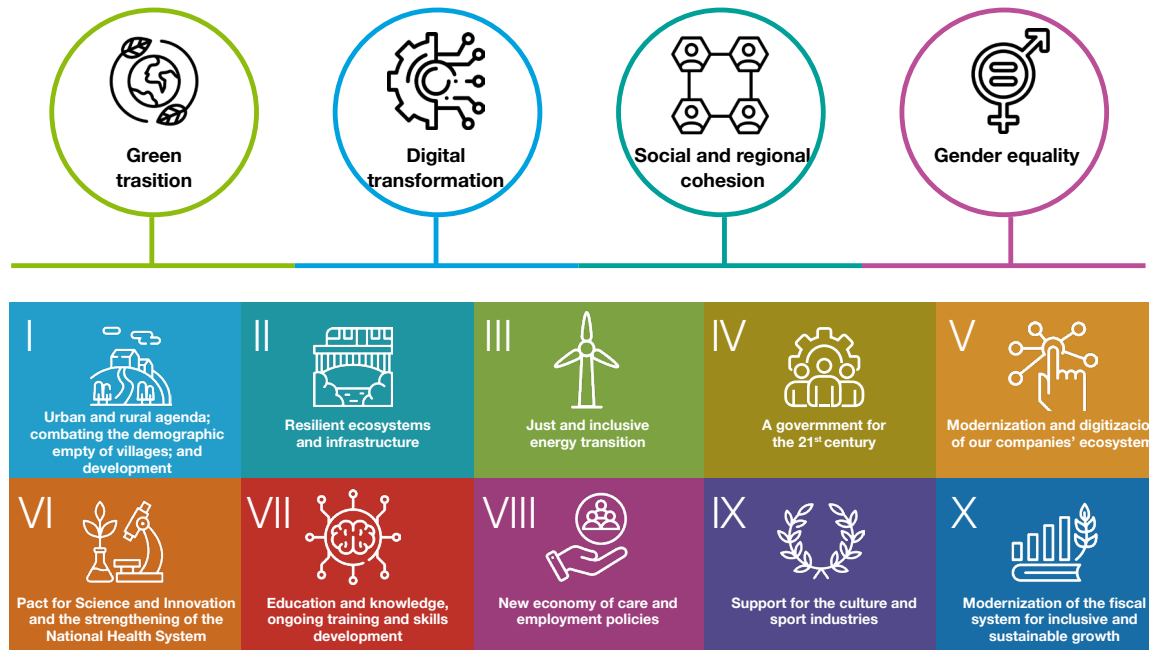
The objective is to attain a climate-neutral economy, while promoting **decarbonization, energy efficiency, the deployment of renewable energy sources, the electrification of the economy, the development of energy storage** and solutions based on nature and improved resilience in all economic sectors.

2. **Digital transformation**, ensuring that society as a whole has **access to digital environments** and fostering the **digitalization of enterprises** (particularly SMEs and start-ups) and industry, R&D&I and digital skills training for people.

In keeping with the 2025 Digital Agenda for Spain, the aim is to foster **the urgent modernization of the business world**, driving its **internationalization, the renewal of its technological capital** and its adaptation as well to the green transition, backing it with infrastructure and services that open up new opportunities for enterprises, reducing digital divides, with reliable technologies that promote a dynamic and sustainable economy, including vectors like cybersecurity, the data economy and artificial intelligence.

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THE RECOVERY PLAN



In this area, the aim is to **strengthen the care economy**, based on the dependency system, long-term care and home care, as well as to shore up territorial cohesion ties, harnessing the promotion of digitalization and telework so that it translates into a higher degree of market integration that makes it possible to limit the centripetal dynamics of recent decades.

Based on the above pillars, the Plan proposes structuring them into **10 policy levers** that cover up to **30 projects or lines of action**, aligned with the **7 European flagship initiatives** approved by the 2021 Annual Sustainable Growth Strategy, as outlined in brief below:

1. Urban and rural agenda, fight against depopulation and development of agriculture.

Based on the **key role of cities** in the economic and social transformation, thanks to their **ability to generate activity in the short term** throughout Spain with a **knock-on effect on industry** and other key sectors such as construction, as well as the need to craft **specific measures for depopulated areas** that facilitate the development of new professional projects and to have a sound agri-food system and the highest food safety standards, the aim is to promote the following initiatives:

- **Action plan for sustainable mobility**, which is safe and connected to urban and metropolitan areas (low emission areas, mass rollout of charging infrastructure, modernization of clean vehicle fleet).
- **Housing refurbishment and urban regeneration plan** (intelligent applications in buildings, deployment of solar roofs and distributed renewable energy sources).

3. **Gender equality**, as a key factor for growth and social justice, **reducing structural barriers** that hinder women's access to the labor market on an equal footing and with equal rights, **raising the female employment rate** and strengthening, improving and reorganizing the long-term care system, as well as **increasing educational potential** and equality of opportunity.

4. **Social and territorial cohesion**, promoting **employment policies** in quantitative and qualitative terms, paying special attention to young people and continually assessing **strategies aimed at helping people to enter** and re-enter the labor market, **creating high-quality jobs and reducing inequality**.

- **Transformation and digitalization of the logistics chain of the agri-food and fishery system** (green production, seasonal and proximity consumption, reduced food waste, value generation in the agri-food system from the primary sector to commercial distribution).

2. Resilient infrastructure and ecosystems.

Given the ability of infrastructure to **mobilize large volumes of investment in the short term and to generate a structural impact** on society and the economy as a whole, including high-growth industries at the global level in which Spain can achieve a strategic position, this specific policy envisages the following initiatives:

- **Conservation and restoration of ecosystems** and their biodiversity (green infrastructure, reforestation, fight against desertification).
- **Preservation of coastal areas and water resources** (restoration, integral water management, treatment, sewerage, reuse, recovery and optimization of water infrastructure).
- **Sustainable, safe and connected mobility** (modernization, digitalization, safety and sustainability of key transportation and intermodal infrastructure and development of main European corridors).

3. Just and inclusive energy transition.

Trying to take advantage of a decarbonized, competitive and efficient energy sector that makes it possible to maximize Spain's renewable potential and to improve the competitiveness of several sectors of crucial importance

derived from the same, this policy lever would comprise initiatives such as the following:

- **Mass deployment of renewable generation facilities** aimed at developing this generation technology (renewable generation facilities, own use, integration of renewables into construction and production sectors, biogas, wind, marine, energy communities).
- **Electric infrastructure, promotion of intelligent networks and deployment of flexibility and storage** (technological update of transportation networks and distribution, demand management, storage).
- **Renewable hydrogen road map** and its industry integration (pilot and commercial projects, support to the energy-demanding industries).
- **Just transition strategy** (creation of activity in territories affected by the energy transition).

4. A Government for the 21st Century.

In order to foster the **updating and improved efficiency and services of the Government**, under this policy in particular, a project is undertaken to modernize the Government from a broad perspective, which includes, specifically, (i) the **digitalization of the Government** (both at the crosscutting level and in relation to the strategic areas of justice, health, public employment services, public health data, consulate management and territorial administration of the State), (ii) **the plan to reinforce and deploy cybersecurity**, (iii) **the energy transition** of the Central Government, (iv) **modernization in human resources management**, as well as (v) the **comprehensive reform** and modernization of the **justice system**.

5. Modernization and digitalization of the industrial fabric and the SME, recovery of tourism and boost to entrepreneurial Spain.

The aim is to **support and strengthen Spanish industry positioned** in sectors like renewable energy, energy efficiency, electrification or the circular economy and, moreover, to **reorient and align the creation of enterprises** in new value chains, **new products and new markets** associated with the huge global challenges considered, driving both cross-border projects and participation in **Projects of Common European Interest (PCEI)**, in keeping with the plan to digitalize the entire value chain in sectors that drive growth, without ignoring the key role that tourism plays in the Spanish economy.

Against this backdrop, the following initiatives are included under this policy lever:

- **Spanish Industrial Policy 2030** aimed at fostering the modernization and productivity of the Spanish industry-services ecosystem, including the following sub-plans: (i) Plan for digitalization of the strategic health, (ii) automotive, (iii) tourism and trade sectors, (iv) for modernization and sustainability of industry, (v) for boosting "green" innovation economies and (vi) circular economy strategy.
- **Boost to the SME**, specifically through a specific digitalization plan, with the reform of financing instruments in support of internationalization, and with the launch of the Spain Entrepreneurial Nation Strategy with a view to promoting the creation and growth of enterprises, and to generate a start-up ecosystem.
- **Modernization and competitiveness** of the tourism sector in order to bolster the resilience, sustainability,

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diversification and value added of this key sector of the economy, paying special attention to the Balearic Islands, the Canary Islands and depopulated areas.

- **Digital connectivity**, boost to cybersecurity and rollout of 5G to ensure territorial cohesion, driving the technological development and growth of the country based on the country's leading role in high speed networks.

6. Pact for Science and Innovation and the strengthening of the National Health System.

Assuming that it is not possible to undertake a transformation of the country without basing it on science and knowledge and in light of the shortcomings that the health crisis has revealed when it comes to the level of investment in science and innovation in general, and in some strategic sectors in particular, it is necessary to adopt forceful measures to rebuild and reinforce both the science and innovation system in addition to the capacities of the Spanish public health system in various areas, by means of the following initiatives:

- **National Artificial Intelligence Strategy** (specifically, by promoting Artificial Intelligence in the production system, the economy and the data society).
- **Institutional reform and strengthening of the capacities of the national science, technology and innovation system** (by reinforcing calls for applications for projects relating to R&D&I, human resources and technical-scientific equipment, reinforcing regular financing for CDTI business projects, creating new centers for excellence, promoting specific plans in key areas such as biomedicine,

health and vaccine research, the aeronautical industry or advanced computing technologies).

- **Renewal and expansion of the capacities of the National Health System** (particularly by reinforcing the strategic capacities of analysis and prevention, the preservation and promotion of professional talent, technological modernization, equipment renewal, the strategic reserve of medical devices and medicines and the promotion of the industrial sector in line with health needs).

7. Education and knowledge, ongoing training and skills development.

Assuming the importance that the **strengthening of human capital** has on the transformative impact sought by the Plan, as well as the need to strategically **tackle the training of society as a whole**, reorienting and harnessing existing talent and skills, the Plan proposes to undertake a raft of linked projects, such as the following:

- **National digital skills plan**, including upskilling and reskilling.
- **Strategic plan to boost vocational training.**
- **Modernizing and digitalizing the education system.**

8. New care economy and employment policies.

Taking into account the need to **reinforce the care economy** in Spain and, in general, to **adapt employment policies**, this policy lever would include the following initiatives:

- **Action plan for the care economy and the strengthening of equality and inclusion policies** (new telecare networks, modernization of dependent person care systems, new care infrastructure).
- **New public policies for a dynamic, resilient and inclusive labor market**, aimed at (i) tackling the structural problems of the labor market in Spain (stabilization of temporary layoff procedures (ERTEs), reduction in temporary employment and job instability, simplification of the types of employment contracts, etc.), (ii) the deep reform of active employment policies (improved connection with business needs), and (iii) the promotion of employment integration policies around the deployment of the minimum living wage.

9. Boosting the culture and sports industry.

Given the essential role that the culture industry plays in generating wealth and employment in Spain, this policy lever envisages providing support to the following initiatives:

- **Revitalization of the culture industry**, by providing support to patronage and private support that complements public support, boosting tourism and economic activity deriving from emblematic cultural events, heritage protection, support for areas in demographic decline, etc.).
- The creation of the **Spain Audiovisual Hub**, with a view to positioning Spain as a go-to center for audiovisual protection and the videogame industry, by simplifying requirements and bolstering the ecosystem of enterprises and professionals from the sector.

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- **Promoting the sports industry**, with the promotion of business meetings, the organization of large sporting events, the promotion of sports tourism, the modernization of sporting infrastructure, and the bolstering of networks of high performance and sports technique centers.

10. Modernization of the tax system for inclusive and sustainable growth.

Given the need to adopt measures to modernize Spain's current tax system in order to guarantee the medium-term financial sustainability of its economy following the increase in public expenditure and debt assumed by the country to cope with the situation brought about by the pandemic, the Plan proposes undertaking a raft of initiatives such as (i) the law to prevent and combat tax fraud, with measures aimed at addressing the underground economy and strengthening the tax system's collection capacity, (ii) adapting the tax system to the reality of the 21st century (with the foreseeable introduction of a tax on certain digital services and on financial transactions), (iii) improving the effectiveness of public spending, and (iv) the sustainability of the public pension system under the Toledo Pact.

Lastly, as a result of the approval of the Addendum to the RTRP, Spain has included a new **Component 31**, which specifically describes the reforms and investments aimed at achieving the objectives of the REPowerEU Program. Notable among the reforms are (i) the measure aimed at **improving the administrative processing of renewable electricity generation facilities**, or (ii) the adoption of a set of measures **aimed at reducing the impact of the cost of energy for citizens**, particularly vulnerable consumers. Notable among the investments is a new investment aimed at reinforcing and complementing the actions already envisaged in the initial wording of the RTRP in support of self-consumption, behind-the-meter storage, energy communities,

as well as promoting the deployment and environmental, social and productive integration of renewable energy sources as an essential part of the country's strategic autonomy⁵⁶.

- c) Brief reference to Royal Decree-Law 36/2020 and the creation of the new concept of Strategic Plans for Economic Recovery and Transformation.

From a legal standpoint and with a view to making possible the adequate absorption of the funds linked to the RRF, the Spanish Government approved Royal Decree-Law 36/2020, of December 30, 2020, on urgent measures for the modernization of government and the implementation of the Recovery, Transformation and Resilience Plan, ratified by a resolution of the Lower House of the Spanish Parliament on January 28, 2021⁵⁷.

These measures seek to **facilitate the scheduling, budgeting, management and implementation of the eligible initiatives with a charge to the European Recovery and Resilience Instrument (and, in particular, to the RRF) with a view to** (i) crafting a suitable **governance model** for the selection, monitoring, assessment and coordination of the various investment projects and programs linked to the future National Recovery, Transformation and Resilience Plan, (ii) **adopting horizontal legislative reforms** that made it possible to simplify administrative procedures, particularly in the area of public procurement and subsidies, and (iii) ensuring the **utmost efficiency in spending**, while maintaining the safeguards and controls required by the EU legislation.

Notable among the main changes brought about the Royal Decree-Law were the introduction of a new form of public-private partnership through the mechanism of **Strategic Projects for Economic Recovery and Transformation** (known as "PERTEs" by the Spanish abbreviation), regarding as such those projects or group of structured projects that (i) represent a **significant contribution**

to economic growth and to the creation of jobs and to the competitiveness of Spanish industry, due to their positive **knock-on effects** in the domestic market and society, (ii) make it possible to **combine knowledge, experience, financial resources and economic operators to remedy significant market or systemic shortcomings** and social challenges, (iii) have a significant innovative character or added value in terms of R&D&I, (iv) stand out for **their quantitative or qualitative significance** or because they display a very high level of technological or financial risks, (v) **favor the integration and growth of SMEs** and the generation of collaborative environments, and (vi) **contribute in a specific, clear and identifiable manner to one or more objectives of the National Recovery, Transformation and Resilience Plan**, as well as to the goals set at the European level in the European Recovery Instrument.

It falls to **the Council of Ministry to declare a project as a Strategic Economic Recovery and Transformation Project**, and its implementation is structured, in each case, through as many mechanisms as may be envisaged in the law, respecting at all times the principles of equality and non-discrimination, competition, disclosure, transparency and proportionality.

To date, the Council of Ministers has approved the following PERTEs:

- **PERTE for the development of electric and connected vehicles (PERTE VEC)**, for the purpose of creating the necessary ecosystem in Spain for developing and manufacturing electric and connected vehicles and making Spain into the European electromobility hub.

⁵⁶ This is without prejudice to the adjustments resulting from the Technical Addendum to the NRTRP submitted at the end of December 2024, which is still pending approval by the Community institutions.

⁵⁷ Following its ratification, the text was sent to the Spanish Parliament again for processing as a draft Law, although the text has yet to be approved by the parliament.

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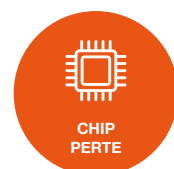
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- **PERTE for vanguard health**, aimed at fostering fair implementation of personalized precision medicine, promoting the development of advanced therapies and other innovative or emerging drugs, developing an innovative data system and driving forward a digital transformation in healthcare.
- **PERTE for renewable energy, renewable hydrogen and storage (ERHA PERTE)**, with the goal of developing technology, know-how, industrial capabilities and new business that will strengthen the country's leading position in the field of clean energy.
- **PERTE for the agro-food sector (Agro PERTE)**, which aims to strengthen this industry through financing and tools to drive its modernization and digitalization, to contribute to sustainable, competitive and resilient agro-food production, as well as to job creation and to addressing the demographic challenge.
- **PERTE for Circular Economy** which aims to boost the transition to a more efficient and sustainable production system in the use of raw materials to increase the competitiveness of industrial sectors and companies in general, as well as to ensure greater strategic autonomy for the country. Its ultimate goal is to support the achievement of a sustainable, decarbonized, resource-efficient and competitive economy.
- **PERTE on New Language Economy**, which seeks to mobilize public and private investments to maximize the value of the Spanish language and the co-official languages within the global digital transformation process, ensuring that artificial intelligence will "think" in Spanish as a priority and that Spanish-speaking countries and people will play a leading role in growth and creation of quality employment.

STRATEGIC PROJECTS FOR RECOVERY AND ECONOMIC TRANSFORMATION (PERTE).

November 2023. Millions of euros (RRF)



12,250 M€

Manufacturing and R&D in microelectronics and semiconductor industry



4,120 M€

Competitiveness and industrial sustainability of the automotive sector



3,170 M€

Decarbonization of the manufacturing and gas-intensive industry



1,640 M€

Personalized digital care, healthcare R&D, training of healthcare professionals



931 M€

Energy efficiency, digitalization and modernization of the aeronautical sector



725 M€

Comprehensive action for sector diversification, sustainability and digitalization



10,797 M€

Self-consumption, renewable hydrogen value chain and energy efficiency



3,485 M€

Digitalization of the water cycle in municipalities, irrigation communities and industrial sector



1,766 M€

Strengthening investments in the new care economy



1,357 M€

Improving efficiency and sustainability in irrigation



792 M€

Action in key sectors: textile, agri-food, plastics and renewable energy capital goods



150 M€

Comprehensive action for sector diversification, sustainability and digitalization

**Plan de Recuperación,
Transformación y Resiliencia**

RENEWABLE ENERGY, GREEN HYDROGEN AND STORAGE PERTE	ELECTRIC AND CONNECTED VEHICLE PERTE	SOCIAL AND CARE ECONOMY PERTE	AEROSPACE PERTE		INDUSTRIAL DECARBONIZATION PERTE	
		1,451.81 mn	1,335.58 mn	790.73 mn		
		VANGUARD HEALTH PERTE	WATER CYCLE PERTE			
5,995.88 mn	3,776.82 mn	1,405.01 mn	951.76 mn	AGRI-FOOD PERTE	387 mn	290 mn
			943.16 mn			

Source: Information as of September 30, 2024 of the implementation status of the PERTes under the Recovery Plan <https://planderecuperacion.gob.es/ejecucion/avance-de-los-pertes-del-plan-de-recuperacion>

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- **PERTE for the Naval Industry** which is conceived as a project based on public-private collaboration and focused on the transformation of its value chain through its diversification towards marine renewable energies and low-emission ships, its digitalization, the improvement of its environmental sustainability and the training of its employees.
- **PERTE for the aerospace sector** which is conceived as an instrument to boost science and innovation in the aerospace field with the aim of addressing the sector's new challenges, including climate change, global security and the digital transition, among others. In particular, the main objective of this PERTE is to position the Spanish aerospace sector as a key player in relation to the challenges and opportunities arising from the anticipated transformation in the sector, both nationally and internationally.
- **PERTE for the Digitalization of the water cycle**, which is designed as a tool to transform and modernize water management systems, both in the urban cycle as well as in irrigation and industry. With these goals in mind, it is understood that the promotion and application of these new technologies will make it possible to (i) improve the governance and transparency of the integral water cycle, (ii) increase its efficiency, (iii) reduce losses in supply networks and, (iv) advance in the fulfillment of environmental objectives.
- **PERTE for microelectronics and semiconductors (CHIP PERTE)** is aimed at strengthening the design and production capacities of the microelectronics and semiconductors industry in Spain from a comprehensive perspective so as to boost Spain's and the EU's strategic autonomy in this sector in line with the provisions of the European Chips Act. It is structured around four strategic pillars: (i) strengthening of scientific capacity, (ii) design strategy, (iii) construction of manufacturing plants and (iv) revitalization of the ICT manufacturing industry.

- **PERTE for the social and care economy** seeks to boost an inclusive, people-centered economy. Specifically, it seeks to enhance and shore up alliances between research centers, organizations, cooperatives and entities that work in the social and care economy and to make Spain a benchmark in this area. Its objectives are threefold: (i) To foster and develop the Spanish social economy and its transformative potential, (ii) To develop and promote advanced services in the field of care, which are accessible and focused on people, and (iii) To create a "Cutting-Edge Hub" relating to the social economy for the transfer and exchange of knowledge with social economy entities.
- **PERTE for industrial decarbonization** was conceived with the goal of fulfilling the commitment to support industry in its transition to more environmentally friendly models and processes and to contribute to the goal of climate neutrality in 2050. Specifically, it seeks to satisfy the following goals: (i) Decarbonizing production processes, allowing the viability of industries in the medium and long term, (ii) Improving energy efficiency by incorporating the best available technologies and implementing energy management systems in industries, (iii) Improving the competitiveness of the manufacturing sector, (iv) Promoting Spain's energy security, (v) Promoting the use of renewable energies, and (vi) Promoting the improvement of the environment by supporting the use of by-products and waste recovery to integrate them in other processes and thus reduce the environmental impact of products throughout their life cycle.

d) The role of the State Register of entities interested in participating in PERTEs.

Royal Decree-Law 36/2020 provided for the creation of the State register of entities interested in participating in PERTEs (the **REPERTE**), as a state instrument for registering and certifying those interested entities.

The regulation and operation of the register were approved by Order HFP/168/2022, of March 7, 2022, which establishes it as a single, publicly accessible register, the contents of which will be presumed to be accurate and valid and in which any entity (public or private and regardless of its legal nature, territorial area or form of incorporation) may be registered provided that it has been previously cleared by the competent Ministry as entities interested in joining a PERTE.

Broadly speaking, the registration procedure is carried out in 2 phases: (i) an initial clearance phase, in which the Ministry responsible for a PERTE will verify that the interested entities that so request materially fulfill the technical, economic and legal conditions required to participate in it, and (ii) a second phase of registration itself in which the Ministry in question will notify the Central Government Controller's Office of the clearance decisions actually adopted on the cleared entities, so that it can proceed to register them.

For more information on the operation of the Register and the number of cleared entities registered in it, please consult the following link: <https://www.pap.hacienda.gob.es/reperportal/inicio>.

e) Implementation status of the Recovery, Transformation and Resilience Plan.

Lastly, as regards the specific aid schemes and programs that have been taking place as the RTRP is implemented, it may be noted that, over the past 3 years, the pace of publication, of both regulatory framework orders and calls for subsidies, has increased significantly. This information is being fully reported via the **ELISA data visualization tool**, through which it is possible to periodically monitor the public calls and tenders financed under the NRTRP, including information on the number of companies and households that have received financing, as well as the size of the beneficiary companies and the investments made in the policy

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levers and the detail of funds managed and executed in each Autonomous Community, as well as the number of companies that have received financing and the sectoral distribution of the projects.

For more information and to better follow and monitor the calls, it is recommended to take advantage of the service provided by the Spanish Government on the RTRP's Internet portal (accessible [here](#)).

8.2 OTHER AID INSTRUMENTS

Apart from the significant effect that the new European Recovery Instrument will undoubtedly have on the Spanish economy, it is important to remember that the European Union provides States with other resources and funds that can be used to finance the achievement of other objectives considered of interest to the Union. In general, most of this financing (whether in the form of loans or subsidies) supplements the aid programs financed by the Spanish State.

Such aid is routed through the Spanish public authorities and institutions, as well as through finance entities, which act as intermediaries between the granting of aid and beneficiary. Accordingly, the related applications for subsidies must be addressed to these entities, save in the case of the direct aid under, inter alia, programs to support research, development and innovation (R&D&I) for which applications must be submitted in the respective calls for proposals issued directly by the European Commission.

The broad range of aid instruments traditionally at the EU's disposal includes, most notably the following:

8.2.1 THE EUROPEAN INVESTMENT BANK (EIB)

The European Investment Bank (EIB) is the European Union's investment bank and is jointly owned by all the Member States.

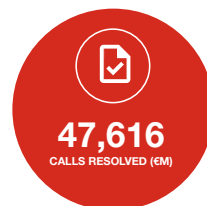
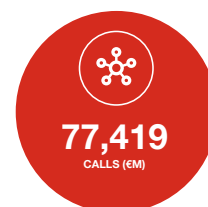
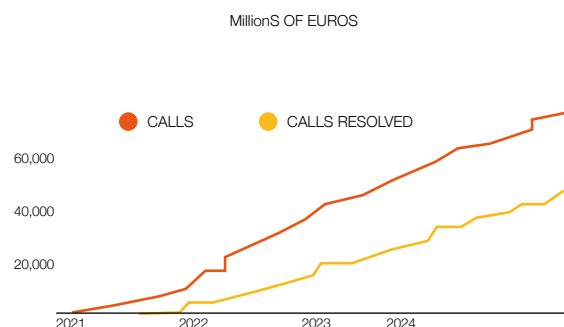
Since its creation in 1958 it has been granting funding and expert advice to hundreds of projects promoted in over 160 countries, with a threefold objective: (i) to boost Europe's potential for growth and employment, (ii) to support measures aimed at mitigating climate change, and (iii) to foster EU policies in other countries.

In particular, the EIB focuses its efforts on financially supporting projects that make a significant contribution to furthering the objectives of the European Union, especially in the following fields: (i) climate action and environmental sustainability aimed at achieving a zero-emission economy, (ii) promoting sustainable development, (iii) innovation and boosting human and digital capital, (iv) promoting renewable energies and natural resources, (v) transport and mobility infrastructure and projects aimed at achieving increasingly sustainable urban areas and regions, (vi) support for small and medium-sized enterprises, (vii) reducing territorial inequalities in line with the



MONITORING OF THE RECOVERY, TRANSFORMATION AND RESILIENCE PLAN

FUNDS CALLED AND RESOLVED IN FAVOR OF FINAL AWARDEES FROM PRIVATE SECTOR AND HOUSEHOLDS



(*) The series for the ACs includes calls in which the ACs, local government corporations or the autonomous bodies of those ACs act as the bodies issuing the call. For the series of the ACs. The amount allocated for the AGE is the difference between the Plan total and the sum of the amount allocated in sectoral conferences for the ACs. The *Calls* figure may exceed the *Allocated* figure, among other factors, due to the funds available from other previously resolved calls.

For the interpretation of the data of the different subsectors, and in particular of the ACs, it is recommended to consult the details of the methodological sheet.

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objectives of European cohesion policy, (viii) boosting social policies to ensure equality and the protection of human dignity in support of the most vulnerable⁵⁸.

The EIB finances itself by borrowing on the capital markets. For this reason, the loans it grants for projects supporting EU objectives are not considered as funded with money from the Union budget. Its lending and borrowing decisions depend on the characteristics of each project and the opportunities offered by the financial markets.

According to the information published by the EIB, the total amount of financing contributed by the EIB group (European Investment Bank and European Investment Fund) in 2024 was €88.8 billion, of which €76.6 billion correspond to the EIB itself⁵⁹. Specifically, this last-mentioned amount was allocated to achieving the following priority objectives:

Climate and environment	€50.7 billion
Energy security	€31.2 billion
Cohesion	€38.2 billion
Innovation, human capital and digital	€19.8 billion
Sustainable cities and regions	€17.2 billion
SMEs and mid-caps	€16.2 billion
Social infrastructure	€8.7 billion
Agriculture and bioeconomy	€6.4 billion
Security and defense	€1 billion
Critical raw materials	€920 million

In addition, of particular note, since the start of the Russian invasion of Ukraine, has been the financial contribution that the EIB has been making to provide urgent aid to Ukraine, by disbursing €2.2 billion in funds to help finance the most urgent needs and to boost efforts to rebuild the country's infrastructure ravaged by Russian bombing⁶⁰.

Specifically, as regards Spain, the financing from the EIB during 2024 amounted to €12.3 billion, making it the second largest recipient in the EU, after France, of funding from the EIB Group⁶¹ this year.

58 <https://www.eib.org/en/projects/index.htm>

59 For more information, see the following link: <https://www.eib.org/files/events/2024-eib-key-figures-summary-en.pdf> and <https://www.eib.org/en/about/key-figures/index>.

60 <https://www.eib.org/en/press/news/ukraine-gets-eur100-million-eib-loan-to-rebuild-social-infrastructure-in-war-torn-cities>.

61 For more information, see the following link <https://www.eib.org/en/projects/regions/index.htm>.

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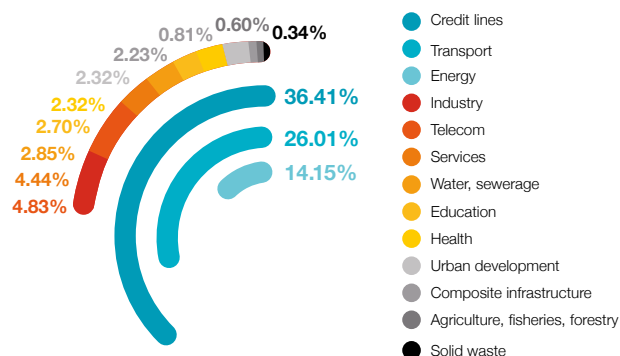
EIB GROUP FINANCING				EIB GROUP INVESTMENT SUPPORTED		
Country	Amount	% of GDP	Per capita	Amount	% of GDP	Per capita
Austria	€1.7 billion	0.3%	€182	€4.3 billion	0.9%	€466
Belgium	€2.1 billion	0.3%	€174	€6.89 billion	1.1%	€582
Bulgaria	€388 million	0.4%	€60	€1.44 billion	1.4%	€225
Croatia	€1.2 billion	1.4%	€321	€3.6 billion	4.2%	€940
Cyprus	€225 million	0.7%	€240	€287 million	0.9%	€306
Czechia	€2.5 billion	0.8%	€224	€6.33 billion	2.0%	€574
Denmark	€2.1 billion	0.5%	€355	€12.97 billion	3.3%	€2,171
Estonia	€498 million	1.3%	€363	€2.22 billion	5.6%	€1,622
Finland	€2.3 billion	0.8%	€417	€5.13 billion	1.9%	€914
France	€12.6 billion	0.4%	€185	€62.4 billion	2.1%	€911
Germany	€9.6 billion	0.2 %	€114	€49.8 billion	1.1 %	€585
Greece	€2.2 billion	0.9%	€210	€6.58 billion	2.8%	€631
Hungary	€314 million	0.2%	€33	€961 million	0.5%	€100
Ireland	€727 million	0.1%	€134	€3.39 billion	0.6%	€628
Italy	€11 billion	0.5%	€186	€36.76 billion	1.7%	€623
Latvia	€82 million	0.2%	€44	€495 million	1.2%	€267
Lithuania	€449 million	0.6%	€156	€1.69 billion	2.2%	€584
Luxembourg	€249 million	0.3%	€368	€1.4 billion	1.7%	€2,097
Malta	€72 million	0.3%	€126	€168 million	0.8%	€294
Netherlands	€3.1 billion	0.3%	€172	€14.15 billion	1.3%	€787
Poland	€5.7 billion	0.7%	€151	€13.51 billion	1.6%	€359
Portugal	€2.1 billion	0.7%	€193	€4.86 billion	1.7%	€456
Romania	€2.4 billion	0.7%	€127	€5.27 billion	1.5%	€276
Slovakia	€355 million	0.3%	€65	€858 million	0.7%	€157
Slovenia	€284 million	0.4%	€134	€955 million	1.4%	€450
Spain	€12.3 billion	0.8%	€251	€45.37 billion	2.9%	€928
Sweden	€1.9 billion	0.3%	€180	€11.85 billion	2.1%	€1,118
Multi-country (Regional EU)	€921 million			€2.04 billion		

Source: <https://www.eib.org/files/events/2024-eib-key-figures-summary-en.pdf>

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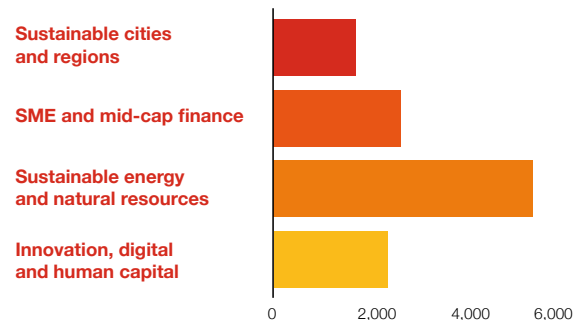
EIB ACTIVITY IN SPAIN BY SECTOR SINCE START OF OPERATIONS



Source: <https://www.eib.org/en/projects/country/spain>

LAST YEAR'S EIB GROUP ACTIVITY IN SPAIN BY PRIORITY

(In € million, last updated at previous year end)



As regards the loans offered by the EIB (about 90% of its total financial commitment), they can be granted to both the public and private sectors, and within the latter, to large companies and corporations as well as to mid-caps and special purpose vehicles for the execution of specific projects (including public-private partnership projects and concessions).

In addition, the EIB also offers indirect support to small and medium-sized companies by granting loans to local financial institutions that on-lend to such companies. The EIB also provides direct loans to new innovative mid-caps for research and development investments⁶². Lastly, the EIB also promotes access to financing for companies and individuals who are normally excluded from traditional financing circuits by promoting micro-loans through specialized financial institutions and investment vehicles.

In general, these loans have the following features:

- Attractive pricing with advantageous funding conditions.
- Long terms, matching the economic life of each project, which can sometimes exceed 30 years.
- Coverage of up to 50% of a project's total cost, with loans starting at €25 million and even lower amounts in some cases.
- In the case of SMEs, funds of up to €12.5 million through intermediated lending partners.
- Financial and technical support for preparation of the project, when required.

- Financing can be blended with additional sources of investment, such as financial instruments and grants from the EU or from third parties.
- EIB's financing acts as a quality stamp that can help the project attract additional investors.
- Loans can be secured or unsecured and provide different levels of subordination and can even be contingent on the company's growth.

Against this backdrop, a general distinction can be made between two types of loans, depending on whether they are direct or indirect:

8.2.1.1 INDIRECT LOANS "Intermediated loans"

Intermediated loans are the main instrument used by the EIB to provide support for micro-enterprises, SMEs and mid-caps since, by granting loans to banks or other intermediaries, access to funding is provided indirectly to small and medium-scale business initiatives (although this does not preclude large companies, local and national authorities and other public sector entities from also qualifying for loans of this type).

The loans are granted by the EIB to banks or other financial institutions in all the Member States, which act as intermediaries. Consequently, these financial intermediaries conduct an analysis of the investment, and of the economic, technical and financial viability of each of the projects presented. Likewise, these banks are responsible for granting and administering the loans and retaining the financial risk.

⁶² | <https://www.eib.org/en/products/loans/index.htm>

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Specifically in Spain, these types of loans are routed mainly through, inter alia, Instituto de Crédito Oficial (ICO), Banco Bilbao-Vizcaya Argentaria (BBVA), Santander, Bankinter, Sabadell, Banca March, Caixabank, Unicaja, BNP Paribas Leasing Solutions, De Lage Landen International B.V. Sucursal en España, Deutsche Bank, Ibercaja, Institut Català de Finances (ICF), Instituto para la Competitividad Empresarial de Castilla y León, Luzaro, Santander Consumer Finance S.A., and Unión de Créditos Inmobiliarios, S.A., Establecimiento Financiero de Crédito (Sole-Shareholder Company)⁶³.

There are many different types of loans and credits, with varying maturities, amounts and interest rates, according to the agreements between the EIB and the intermediary financial institutions but in general their features can be summarized as follows:

- It must involve an investment project of up to €25 million, which may receive funding of up to 100% of the investment with a guarantee from the intermediary bank.
- The transactions may be formalized as a loan or may adopt other alternative forms of financing (leases) according to the terms and conditions previously agreed by the intermediary bank.
- Repayment period: to be determined by the financial institution acting as intermediary and the EIB, although it may not exceed the economic and technical duration of the financed project.
- The amount awarded under a global loan may not exceed €12.5 million.
- Free of fees and other charges, except for minor administrative expenses.

Applications must be filed with financial institutions or other intermediaries.

8.2.1.2 DIRECT LOANS “PROJECT LOANS”

The second type of loans are those granted directly by the EIB to investment projects promoted by private sector companies. These loans are characterized by offering more advantageous conditions than customary market conditions, as well as long terms (usually 10 years). In general, the loan is intended to cover the investment costs (and sometimes R&D&I expenses) incurred during an average period of three years (although they may refer to a longer period), and may reach up to 50% of the total budgeted cost. The loans are normally granted for amounts of €25 million and above, although the EIB may occasionally consider smaller amounts.

In general, the following are the **main characteristics** of these loans:

- The projects for which an application for financing is presented must fulfil the objectives set by the EIB and be viable from the economic, financial, technical and environmental perspectives. To this end, the application for financing must be accompanied by a complete feasibility study which includes a detailed analysis of the investment and business plan. Although there is no standardized documentation, the promoter must provide as much information and documentation as may be considered necessary to enable the EIB to verify that the project suitably meets the financing objectives established by the EIB.
- The terms of the financing depend on the type of investment and on the guarantees provided by third parties (banks or banking consortia, other financial institutions or the parent company).

- The interest rate may be fixed, variable, reviewable or convertible (meaning that the calculation formula may be changed during the term of the loan, on certain pre-established dates).
- In some cases, the EIB can apply project evaluation or legal analysis fees, and commitment or non-use fees.

A project that seeks funding from the EIB usually goes through **7 stages**: (i) submission of a proposal, (ii) appraisal, (iii) approval, (iv) signature, (v) disbursement, (vi) monitoring and reporting, and (vii) repayment.



Source: <https://www.eib.org/en/projects/cycle/index.htm>

⁶³ | <https://www.eib.org/intermediarieslist/search/result?country=ES>

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8.2.1.3 THE EIB'S ROLE IN THE INVESTEU FUND

It is worth recalling that, within the current Community budgetary framework (2021-2017) approved by Regulation 2020/2093, December 17, 2020, the Commission decided to build on the success achieved with the European Fund for Strategic Investments (EFSI) and the economies of scale generated by it by merging all instruments then available to foster investment in the EU, under the name "InvestEU Program"⁶⁴.

Through this program, the EU budget has been providing a **guarantee of €26.2 billion** to support strategically significant projects throughout the EU, although its amount can be increased by subsequent contributions from the EU Member States and third countries. This will allow investors to take greater risks, while supporting projects that might otherwise have been discarded.

To ensure a swift roll-out and its local reach, the **InvestEU** Program will be implemented in partnership with the EIB and the European Investment Fund (EIF), as well as with other implementing partners, such as international financial institutions and national development banks and institutions, such as the European Bank for Reconstruction and Development (EBRD), the World Bank, the Council of Europe Bank and national banks.

This program consists of:

- **The InvestEU Fund** (which combines the EFSI and 13 other – formerly independently managed – EU financial instruments) with the aim of mobilizing the necessary public and private investment for a full economic recovery and to achieve the long-term objectives set by the EU's internal policies.

The InvestEU Fund supports the following **4 policy windows**:

1. **Sustainable infrastructure:** to finance projects in, among others, renewable energy, digital connectivity, transportation, circular economy, water management, waste management and environmental protection infrastructure.
 2. **Research, innovation and digitalization:** aimed at promoting projects in research and innovation, digitalization of industry, artificial intelligence, etc.
 3. **Facilitating access to funding for small and medium-sized enterprises (SMEs), including, in particular, capital support for enterprises that were adversely:** affected by the Covid-19 crisis.
 4. **Social investment and skills,** to finance projects in such areas as education, training, housing, schools, universities, hospitals, health care, long-term care and accessibility, social entrepreneurship, migrant integration, refugees and vulnerable people.
- The **InvestEU Advisory Hub**, which builds on the success of the **European Investment Advisory Hub** and acts as the central entry point for project promoters and intermediaries seeking advisory support and technical assistance for the identification, preparation and development of investment projects across the European Union.

Although the Hub is managed by the European Commission, the EIB will remain its strategic partner, providing advisory support in all four areas, as well as some cross-sectoral activities, including the continuation of the JASPERS⁶⁵ program and support for the Just Transition Mechanism.

With the InvestEU Advisory Hub, the Commission seeks to integrate the 13 pre-existing advisory services into a one-stop shop to support project development. Its aim is to provide technical support and assistance to help with the preparation, development, structuring and implementation of projects, including additional information on investment guidelines. It is available to public and private project promoters, including SMEs and start-ups.

- Lastly, **the InvestEU Portal**, is an easily accessible and user-friendly database that provides a channel for promoters seeking finance to make their projects visible to potential investors who might not otherwise be reachable.

8.2.2 EUROPEAN INVESTMENT FUND (EIF)

The EIF is an EU body which specializes in **providing guarantee and venture capital instruments to SMEs for better access to funding**. Its principal shareholder is the EIB itself, although the European Commission and a wide range of financial institutions across Europe also own holdings in its capital stock.

It uses, for its activities, equity capital or funds provided by the EIB or the European Union, the Member States, or other third parties.

⁶⁴ <https://www.consilium.europa.eu/es/policies/investment-plan/invest-eu/>

⁶⁵ For more information on the JASPERS program, please see the following website: <https://jaspers.eib.org/> as well as <https://jaspers.eib.org/knowledge/publications/2024-in-focus-factsheet>

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It is neither a lending institution nor does it provide subsidies to enterprises or directly invest in them. All of its work is carried out through banks and other financial intermediaries. Moreover, it ensures the continuity required in the management of EU programs and has accumulated extensive experience in this area.

The EIF was created for purpose of fostering EU objectives, particularly in the areas of entrepreneurship, growth, innovation, research and development, employment and regional development. Today, the core mission of the EIF is to provide support to SMEs and help them gain access to funding. To this end, in response to the needs of each regional market, the EIF designs innovative financial products for its partners (banks, guarantee, leasing and micro-finance institutions, private equity and venture capital funds, among others) acting as financial intermediaries.

The work of the EIF can be classed according to the financial products (capital and debt) offered, which include most notably⁶⁶:

- **Equity products:** the EIF invests in venture capital and growth funds, mezzanine funds that support SMEs, while also covering technology transfers and business incubators.
- **Debt products:** in these cases, the EIF provides security and credit enhancements to financial intermediaries to facilitate the flow of funds from financial institutions to SMEs.
- **Inclusive finance:** the EIF provides funding (equity and loans), guarantees and technical assistance to micro-credit providers.

Indeed, although the EIF mainly uses venture capital instruments as a means of making capital more available to high-growth innovative SMEs, the Fund also offers debt instruments, having found that

many SMEs seek financing through this more traditional route. From this standpoint, the EIF offers security and credit enhancements by means of the securitization of credit, in order to improve the lending capacity of financial intermediaries and, as a result, and ultimately, the availability and terms of the debt for the SME beneficiaries.

THE EIF'S PUBLIC POLICY GOALS EXPECTED MOBILISED INVESTMENTS

€63.7 BN

Sustainability
& green
transformation

€27.4 BN

Innovation &
digitalisation

€9.4 BN

Social impact,
skills & human
capital

€33 BN

Competitiveness
& growth

Source: Highlights - EIF in 2024

66 | https://www.eif.org/what_we_do/index.htm

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The following table summarizes the main instruments and initiatives promoted by the EIF and the potential beneficiaries thereof:

SELECTED FINANCIAL INTERMEDIARY	WHAT IS AVAILABLE?	WHO IS ELIGIBLE?	INITIATIVE
• Students and learners	• Income shared agreements	• Nuevo MicroBank S.A.U. • StudentFinance • Santander Consumer Finance	• EFSI Skills and Education Guarantee Pilot
• BBVA	• Loans	• SMEs	• EFSI
• Bankia • Bankinter • Banco Popular Español • Banco Sabadell • Banco Santander • CaixaBank • Cajas Rurales • Liberbank	• Loans	• SMEs	• SME Initiative Spain
• Inveready • CERSA • LABORAL Kutxa • CaixaBank	• Loans	• Innovative SMEs and Small Mid-Caps	• EFSI • InnovFin SME Guarantee Facility
• CERSA	• Loans	• SMEs	• EFSI • COSME - Loan Guarantee Facility (LGF)
• Bankinter	• Loans	• Innovative SMEs and Small Mid-Caps	• InnovFin SME Guarantee Facility
• CERSA	• Loans	• SMEs in the cultural & creative sectors	• CCS GF
• Bankinter • Deutsche Bank Spain	• Loans	• Innovative SMEs and small midcaps	• Risk Sharing Instrument (RSI)

SELECTED FINANCIAL INTERMEDIARY	WHAT IS AVAILABLE?	WHO IS ELIGIBLE?	INITIATIVE
• MicroBank	• Loans	• Social-entreprises	• Easi • EFSI
• MicroBank	• Loans	• Mobile Master Students	• Erasmus+ Master Loan Guarantee Facility
• Caja Rurales Unidas • Cajamar Cooperative Group • Fundació Pinnæ • ICREF • Laboral Kutxa/Caja • Laboral Popular (ES)	• Micro Préstamos	• Micro-enterprises including individuals	• Progress Microfinance
• Laboral Kutxa/Caja Laboral Popular • Banco Popular Español • Colonya Caixa Pollença • Soria Futuro, PLC	• Micro Préstamos	• Micro-enterprises including individuals	• EaSI
• Triodos Bank • Colonya Caixa Pollença	• Préstamos	• Social enterprises	• EaSI

Source: [EIF intermediaries in Spain](#)

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8.2.3 EUROPEAN STRUCTURAL AND INVESTMENT FUNDS

During the new 2021-2027 period, the Union's regional and cohesion policy will focus on **5 priorities**:

1. A **smarter** Europe, through innovation, digitalization, economic transformation, thereby achieving regional connectivity through information and communications technologies.
2. A **greener**, carbon free Europe, implementing the Paris Agreement and investment in energy transition, renewables and the fight against climate change.
3. A more **connected** Europe, enhancing mobility with strategic transport and digital networks.
4. A more **social and inclusive** Europe, delivering on the European Pillar of Social Rights and supporting quality employment, education, skills, social inclusion and equal access to healthcare.
5. A Europe **closer** to citizens, by fostering the sustainable and integrated development of all types of territories and local initiatives.

To achieve these aims, 65% to 85% of the European Regional Development Fund (ERDF) and the Cohesion Fund resources will be allocated, depending on Member States' relative wealth.

The Cohesion Policy will keep on investing in all regions, still on the basis of the 3 categories applied during the 2014-2020 period (less-developed, transition, more-developed). Similarly, the allocation method for the funds is still largely based on GDP per capita, although new criteria are added, such as youth

unemployment, low education level, climate change, and the reception and integration of migrants, to better reflect the reality on the ground. Notwithstanding the above, outermost regions are expected to continue benefitting from special EU support⁶⁷.

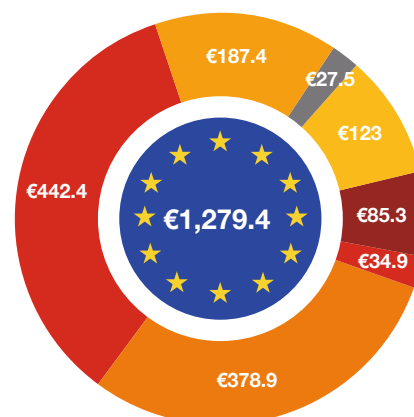
Furthermore, against this backdrop, the Cohesion Policy will continue to support locally-led development strategies, encouraging local authorities to play a more prominent role in the management of funds.

In turn the urban dimension of the Cohesion Policy is stepped up with 6% of the ERDF dedicated to sustainable urban development. Along the same lines, it includes a new networking and capacity-building program for urban authorities known as the "European Urban Initiative".

⁶⁷ Source: <https://www.fondoseuropeos.hacienda.gob.es/sitios/dgfc/es-ES/ipr/fcp2020/Paginas/inicio.aspx> and https://ec.europa.eu/regional_policy/2021-2027_en.

THE NEW MULTIANNUAL FINANCIAL FRAMEWORK 2021-2027 A BUDGET FOR A UNION THAT PROTECTS, EMPOWERS AND DEFENDS

In billion euro, current prices



SINGLE MARKET, INNOVATION AND DIGITAL €187.4

1. Research and Innovation
2. European Strategic Investments
3. Single Market
4. Space

COHESION AND VALUES €442.4

5. Regional Development and Cohesion
6. Economic and Monetary Union
7. Investing in People, Social Cohesion and Values

NATURAL RESOURCES AND ENVIRONMENT €378.9

8. Agriculture and Maritime Policy
9. Environment and Climate Action

MIGRATION AND BORDER MANAGEMENT €34.9

10. Migration
11. Border Management

SECURITY AND DEFENCE €27.5

12. Security
13. Defence
14. Crisis Response

NEIGHBOURHOOD AND THE WORLD €123

15. External Action
16. Pre-Accession Assistance

EUROPEAN PUBLIC ADMINISTRATION €85.3

17. European Public Administration

CLARITY AND SIMPLIFICATION

The Commission proposes a more coherent, specific and transparent framework. The structure of the budget will be clearer and more in line with the EU's priorities. The Commission proposes reducing the number of programs by more than a third, for example, by grouping together fragmented sources of financing and radically simplifying the use of financial instruments.

Source: https://www.dgfc.sepg.hacienda.gob.es/sitios/dgfc/es-ES/ipr/fcp2020/fcp2020MFP/Documents/16_budget-proposals-modern-eu-budget-may2018_es.pdf

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8.2.3.1 COMMON PROVISIONS ON THE EUROPEAN STRUCTURAL AND INVESTMENT FUNDS (ESI FUNDS)

The basic rules governing the ESI Funds are contained in Regulation (EU) 2021/1060 of the European Parliament and of the Council June 24, 2021 laying down common provisions on the European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+), the Cohesion Fund (CF), the Just Transition Fund (JTF) and the European Maritime, Fisheries and Aquaculture Fund (EMFAF), and which approve the financial rules for those Funds and for the Asylum, Migration and Integration Fund (AMIF), the Internal Security Fund (ISF) and the Instrument for Financial Support for Border Management and Visa Policy (BMVI).

Each Fund also has its own regulation: ERDF (Regulation (UE) 2021/1058), ESF (Regulation (EU) 2021/1057), JTF (Regulation (EU) 2021/1056), and EMFAF (Regulation (EU) 2021/1139), which lay down the specific rules supplementing those laid down in the Common Provisions Regulation.

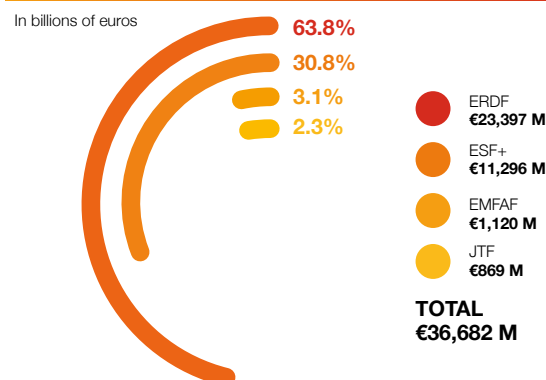
As in previous periods, the programming for the ESI Funds for the 2021-2027 framework also requires the preparation and approval of the respective Partnership Agreement and the corresponding Operational Programs.

The Partnership Agreement is the national document prepared by each Member State, which explains the investment strategy and priorities of the respective Funds (ERDF, ESF, EAFRD and EMFF) in such State and must be approved by the Commission. Such strategy must be based on a previous **analysis of the current situation of the Member State and its regions**, in particular: (i) the disparities existing between those regions, (ii) the opportunities for growth and (iii) the weaknesses of all its regions and territories, focusing on the **thematic objectives**, which will entail the **identification of the actions** in the State in question **which are to be treated as priorities** by each of the ESI Funds.

In the case of Spain, the Partnership Agreement for the period 2021-2027 was approved by the Commission on November 18, 2022. It is a strategic document that sets out the broad areas of action and investment priorities of all the European Funds comprising the Multiannual Financial Framework (specifically, the ERDF, European Social Fund Plus, the European Maritime, Fisheries and Aquaculture Fund (EMFAF), and the Just Transition Fund (JTF).

The total volume of the investment is €36.682 billion and its implementation supplements the objectives and milestones already included in the above-mentioned Recovery, Transformation and Resilience Plan (RTRP) approved for Spain. It is worth noting that of the €36.682 billion to be contributed by the EU under the Partnership Agreement, €35.562 billion correspond to EU cohesion policy funds, where Spain is the third biggest recipient in the 2021-2027 period, only behind Poland and Italy. This allocation is split into €23.397 billion from ERDF, €11.296 billion from ESF+ and €869 million from JTF. In addition to these amounts, €1.12 billion have been allocated to Spain for the EMFAF.

FINANCIAL ALLOCATION OF EU AID UNDER PARTNERSHIP AGREEMENT BY INSTRUMENT. 2021-2027 SPAIN PARTNERSHIP AGREEMENT



The funding relates to five major policy areas, including most notably support for research, digitalization, support for SMEs, energy efficiency, the green transition and social investment⁶⁸. Specifically:

- Policy Objective 1 (PO1) will have nearly €8.3 billion in European aid to strengthen research, support businesses and promote the digitalization of the Spanish economy.
- Policy Objective 2 (PO2) will allocate more than €9.9 billion to improving energy efficiency, rolling out renewable energy projects, climate change adaptation actions, implementing a circular economy model and focusing on biodiversity.
- Policy Objective 3 (PO3) has an allocation of €1.2 billion, which focuses on the development of rail corridors, on ensuring rail accessibility to ports of general interest and on supporting the use of clean vehicles and improving the public transport service.
- Within Policy Objective 4 (PO4), social investment takes on special significance with attention to employment, education, occupational training, inclusion and the fight against poverty and child poverty. This translates into €12.3 billion in aid aimed at fostering social cohesion.
- Lastly, Policy Objective 5 (PO5) includes funding aimed at promoting the implementation of urban and non-urban development initiatives through the design of integrated investment programs, with an amount totaling more than €2.1 billion.

⁶⁸ Following for the purpose what is established in article 5 of the Regulation laying down common provisions on the ESI Funds.

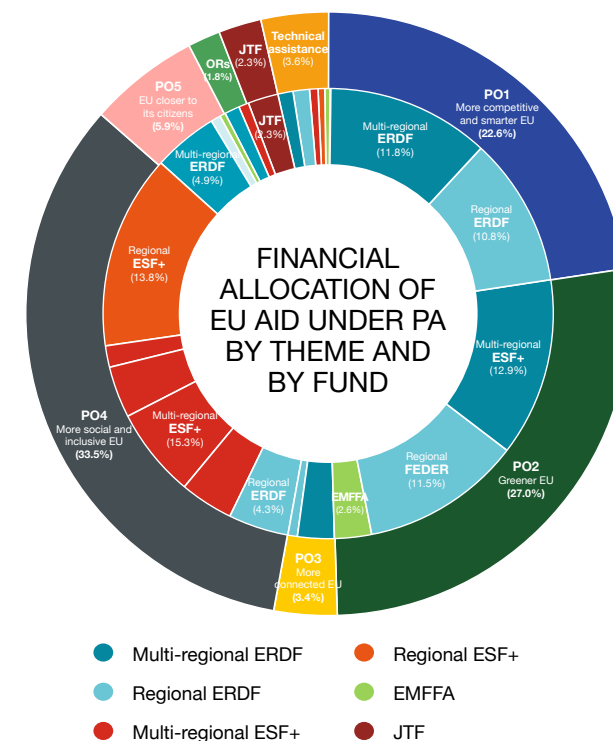
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As already noted above, the material implementation of the Funds also requires the approval of the corresponding **Operational Programs** (i) prepared by each Member State in accordance with the terms of the Partnership Agreement and (ii) presented to the Commission for its approval.

Each Program will define priorities and proposals for action, specifying the projected investment and breaking it down by each of the years of the period in which it is applied.

OBJECTIVE	ERDF	ESP+	EMFAF	JTF	TOTAL	%
	(Euro billion)					
PO1: More competitive and smarter EU	8,289	-	-	-	8,289	23%
PO2: Greener EU	8,944	-	953	-	9,897	27%
PO3: More connected EU	1,230	-	-	-	1,230	3%
PO4: More social and inclusive EU	1,604	10,697	-	-	12,301	34%
PO5: EU closer to citizens	2,043	-	104	-	2,147	6%
Outermost regions	486	159	-	-	645	2%
Just transition	-	-	-	835	835	2%
Technical assistance	801	440	63	33	1,337	4%
TOTAL	23,397	11,296	1,120	869	36,682	100%



Source: <https://www.fondoseuropeos.hacienda.gob.es/sitios/dgfc/es-ES/ipr/fcp2020/P2127/Documents/Brochure%20Acuerdo%20de%20Asociaci%C3%B3n%2021-27%20online.pdf>

Source: <https://www.lamondcloa.gob.es/serviciosdeprensa/notasprensa/hacienda/paginas/2022/161222-acuerdo-asociacion-2021-2027-ratificacion.aspx>

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8.2.3.2 FUNDS UNDER THE COHESION POLICY: ERDF, ESF+, COHESION FUND AND JUST TRANSITION FUND

The Funds under the Cohesion Policy include Structural Funds (ERDF and ESF+), the Cohesion Fund and the Just Transition, which contribute to enhancing economic, societal and territorial cohesion.

- **European Regional Development Fund (ERDF).**

This Fund contributes to the funding of measures adopted in order to **enhance economic, societal and territorial cohesion** by correcting the Union's main regional imbalances, through (i) **sustainable development** and the structural adjustment of regional economies, and (ii) by **restructuring industrial regions in decline and less developed regions**.

The ERDF Regulation for the 2021-2027 period maintains its two fundamental goals: "Investment for jobs and growth" and "European territorial cooperation". It also maintains its traditional priorities such as support for innovation, the digital economy and SMEs delivered through a smart specialization strategy, and a greener, low-carbon and circular economy⁶⁹. However, the Cohesion Policy applicable during this period also introduces a list of activities that are not to be supported by the ERDF, including the decommissioning or construction of nuclear power stations, airport infrastructure (except in the outermost regions) and some waste management operations (i.e. landfill) and support for the tobacco industry.

For the 2021-2027 programming period, the ERDF has around €200.36 billion (including €8 billion for European Territorial

Cooperation and €1.93 billion for the outermost regions). Less-developed regions will benefit from co-financing rates of up to 85% of the eligible cost of the projects, whereas co-financing rates for transition regions and for more-developed regions will be up to 60% and 40% respectively.

Over the 2021-2027 period, Spain will receive **€23,397 million from the ERDF**, which will be distributed via **19 Regional Programs** (1 for each autonomous community and city) and **one Multi-regional Program**, which will serve as the main instrument for planning the Central Government initiatives to be financed via this Fund⁷⁰.

Accordingly, based on the provisions of article 108 of the Common Provisions Regulation, the following regions may be differentiated:

- Less developed regions:** regions whose GDP per capita is less than 75% of the average GDP per capita of the EU-27, a category which in Spain has been assigned to the autonomous communities of Andalucía, Castilla La Mancha, Ceuta, Extremadura and Melilla.
- Transition regions:** regions whose GDP per capita is between 75% and 100% of the average GDP per capita of the EU-27, and which, during this period, corresponds to the autonomous communities of Asturias, Balearic Islands, Canary Islands, Cantabria, Castilla León, Galicia, La Rioja, Murcia, Valencia.
- More developed regions:** that is, regions whose GDP per capita is above 100% of the average GDP per capita of the EU-27, which in Spain corresponds to Aragón, Cataluña, Navarra, Madrid, Basque Country.

REGION CATEGORIES	
More developed regions	
EU	Autonomous C. of the Basque Country
CT	Autonomous C. of Cataluña
AR	Autonomous C. of Aragón
NA	Historical C. of Navarra
MD	Community of Madrid
Transition regions	
GA	Autonomous C. of Galicia
AS	Autonomous C. of the Principality of Asturias
CN	Autonomous C. of Cantabria
LR	Autonomous C. of La Rioja
MU	Autonomous C. of the Murcia Region
CV	Community of Valencia
IC	Autonomous C. of th Canary Island
BB	Autonomous C. of the Balearic Island
CL	Community of Castilla y León
Less developed regions	
AN	Autonomous C. of Andalusia
CM	Autonomous C. of Castilla-La Mancha
EX	Autonomous C. of Extremadura
CE	City of Ceuta
ME	City of Melilla

2021-2027 Spain partnership agreement.
Source: Online [Brochure Partnership Agreement 21-27.pdf](#)

⁶⁹ More information at <https://www.europarl.europa.eu/factsheets/es/sheet/95/el-fondo-europeo-de-desarrollo-regional-feder>

⁷⁰ <https://www.fondoseuropeos.hacienda.gob.es/sitios/dgfc/es-ES/iprfcp2020/Paginas/inicio.aspx>

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Both the ERDF Spain Interregional Program 2021-2027 and all the Regional Programs that will apply during that period in all the above-mentioned autonomous communities and autonomous cities have already been published. The programs set out the priorities and conditions required for projects and initiatives to receive co-financing from the ERDF.

For more detailed information on the contents of the respective programs, please see the following website: (<https://www.fondoseuropeos.hacienda.gob.es/sitios/dgfc/es-ES/ipr/fcp2020/P2127/PF/Paginas/PFEDER.aspx>).

– European Social Fund (ESF+).

The specific objectives of the ESF+ during the 2021-2027 period include⁷¹:

- o Supporting the policy areas of employment and labor mobility, education and social inclusion, namely by helping to eradicate poverty, and thereby contributing to the implementation of the European Pillar for Social Rights.
- o Supporting the digital and green transitions, job creation through Skills for Smart Specialization, and improvements to education and training systems.
- o Supporting temporary measures in exceptional or unusual circumstances, i.e., financing short-time work schemes without requiring them to be combined with active measures, or providing access to healthcare, including for people who are not immediately socio-economically vulnerable.

– Cohesion Fund

The Cohesion Fund in the current budgetary framework will continue to support projects under the 'Investment for growth and jobs' goal, mainly for environmental and transport infrastructure projects, including trans-European networks (TEN-T).

In addition, the Cohesion Fund will support two specific objectives of the new Cohesion Policy: (i) a greener, low-carbon and circular economy (PO2), and (ii) a more connected Europe (PO3)⁷².

– Just Transition Fund (JTF).

The Just Transition Fund is a **financial instrument** included within the Cohesion Policy which aims to provide support to territories facing serious socio-economic challenges arising from the transition towards climate neutrality. It is conceived as a specific instrument to facilitate the implementation of the European Green Deal, which aims to make the EU climate-neutral by 2050.

Specifically, the Just Transition Fund is a key tool for supporting the territories most affected by the transition towards climate neutrality and for preventing an increase in regional disparities. Its main objectives are to alleviate the impact of the transition, by financing the diversification and modernization of the local economy and by mitigating the negative repercussions on employment. In order to achieve its objective, the Just Transition Fund supports investments in areas such as digital connectivity, clean energy technologies, the reduction of emissions, the regeneration of industrial sites, the reskilling of workers and technical assistance.

The Just Transition Fund is implemented under **shared management** rules, which means close cooperation with national, regional and local authorities. To access Just Transition Fund support, Member States have to submit territorial Just Transition Plans. These plans outline the specific intervention areas, based on the economic and social impacts of the transition. In particular, these plans must take account of expected job losses and the transformation of the production processes of the industrial facilities with the highest greenhouse gas intensities⁷³.

The Just Transition Fund has an overall budget of €17.5 billion for 2021-2027, of which €7.5 billion come from the multiannual financial framework and €10 billion are additional funds from the NextGenerationEU Program.

In the case of Spain, its Just Transition Program was approved by the European Commission on December 21, 2022, and includes a description of the types of actions eligible to execute the €868 million that correspond to Spain within the framework of the JTF. These funds are to be used to finance actions in the territories of the six Autonomous Communities (Andalusia, Aragon, Asturias, Castilla-Leon, Galicia and the Balearic Islands) considered eligible because they are affected by the closure of coal mines and coal-fired power plants.

⁷¹ More information at <https://www.europarl.europa.eu/factsheets/es/sheet/53/el-fondo-social-europeo-plus>.

⁷² More information at <https://www.europarl.europa.eu/factsheets/es/sheet/96/el-fondo-de-cohesion> and https://www.europarl.europa.eu/itu/pdf/es/FTU_3.1.3.pdf

⁷³ More information at <https://www.europarl.europa.eu/factsheets/es/sheet/214/fondo-de-transicion-justa>

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For more information on the Spanish Just Transition strategy, please see the following websites: (<https://www.transicionjusta.gob.es/es-es/Paginas/Home.aspx> and <https://www.fondoseuropeos.hacienda.gob.es/sitios/dgfc/es-ES/Documents/FTJ.pdf>).

8.2.4 THE FUNDING OF THE COMMON AGRICULTURAL POLICY (CAP)

The Common Agricultural Policy (CAP) absorbed around 40% of the total budget of the EU for the 2014-2020 period. Despite its heavy budgetary weight, justified in part by its being one of the few sectors whose policy is financed principally by the EU, its importance in economic terms has been reduced substantially over the last 30 years, dropping from 75% to 40%. The budget for direct payments assigned to Spain in that period was equal to €29,227,900,000,000, which entailed 11.56% of the total.

Currently, the financing and functioning of the CAP is regulated under **Regulation 2115/2021, of December 2, 2021, of the European Parliament and of the Council**, on the financing, management and monitoring of the common agricultural policy and repealing Regulation 1306/2022 (which had the same purpose).

The new CAP, which will apply during the 2023-2027 period, retains the essential elements of the former CAP, but is no longer a policy confined to setting requirements to be met by the final beneficiaries of the aid. Rather, it has become **a policy aimed at achieving specific results**, linked to three general objectives:

- To foster a smart, competitive, resilient and diversified agricultural sector** that ensures long-term food security.
- To support and bolster environmental care** and climate action and contribute to the achievement of EU environmental and climate objectives, including the commitments made under the Paris Agreement.
- To strengthen the socio-economic fabric** of rural areas.

These general objectives are in turn broken down into nine specific objectives, based on the three pillars of sustainability and supplemented by a common crosscutting objective of modernizing the agricultural sector through knowledge, innovation and digitalization in rural areas.

One of the main new features of the 2023-2027 CAP is that all the Member States must have in place a **CAP Strategic Plan** that sets out the interventions or measures with which they intend to achieve



Source: <https://www.mapa.gob.es/es/pac/post-2020/default.aspx>

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the objectives of the CAP and the European Green Deal. This enables the CAP to better serve Europe's present and future challenges, such as climate change or generational renewal, without ceasing to support farms in order to achieve a sustainable and competitive agricultural sector.

Spain has its own CAP Strategic Plan (CAPSP)⁷⁴, which was approved by the Commission on August 31, 2022 and has an estimated budget of €32.549 billion for the entire period⁷⁵.

Furthermore, to facilitate its implementation, the Spanish Government approved Royal Decree 1048/2022, of December 27, 2022, on the application of interventions in the form of direct payments and establishing common requirements and regulating the single application of the integrated management and control system⁷⁶.

The Spanish CAPSP has undergone two modifications so far. The first was made in 2023, which was approved by the Commission through the Implementing Decision of August 20, 2023, to reflect some essential adjustments to certain financial aspects (limits, contributions to different actions) and eligible expenditure⁷⁷. The second one occurred in 2024 with the Commission Implementing Decision of August 30, 2024, approving the modification of the 2023-2027 CAP Strategic Plan of Spain for Union support financed by the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development⁷⁸.

That said, it is worth recalling that **CAP financing is essentially structured – through two funds** included in the EU budget – around two structural pillars:

1. The first pillar, **through** the European Agricultural Guarantee Fund (**EAGF**), providing direct support to farmers and

funding market measures covered **in their entirety and, exclusively, by the EU budget**, with a view to guaranteeing the **application of a common policy throughout the single market and with the integrated management and control system**.

2. The **second pillar**, through the European Agricultural Fund for Rural Development (**EAFRD**), improving the competitiveness of agricultural and forestry industries and **promoting the diversification of economic activity and quality of life in rural areas**, including regions with specific problems, based on measures co-funded with the Member States.

The following is a description of the main characteristics of these two Funds:

8.2.4.1 EAGF

In general, **the EAGF funds the following actions, managed jointly** by the Member States and the Commission:

- Measures aimed at regulating or supporting agricultural markets.
- **Direct payments** to farmers established within the scope of the CAP.
- The financial participation of the Union in the measures taken by Member States to report and promote agricultural products on the Community domestic market and in third countries.
- The financial participation of the Union in the Union school fruit and vegetable scheme.

In turn, the **EAFRD provides direct funding** for the following expenditure:

- Promotion of agricultural products, undertaken either directly by the Commission or through international organizations.
- Measures to ensure the conservation, characterization, collection and utilization of genetic resources in agriculture.
- The establishment and maintenance of agricultural accounting information systems.

The Commission provides Member States with the credit necessary to cover the expenses financed by the EAGF, in the form of monthly reimbursements.

8.2.4.2 EAFRD

The **European Agricultural Fund for Rural Development** (EAFRD), also governed by the above-mentioned Regulation

⁷⁴ This CAPSP is accompanied by an extensive package of accompanying regulations, which can be consulted at the following website: <https://www.mapa.gob.es/es/pac/pac-2023-2027/paquete-normativo-plan.aspx>

⁷⁵ For more information, see the following websites: <https://www.mapa.gob.es/es/pac/pac-2023-2027/> and https://www.mapa.gob.es/es/pac/post-2020/resumen-pac-es_tcm30-627662.pdf

⁷⁶ This CAPSP is accompanied by an extensive package of accompanying regulations intended to facilitate its implementation, which can be consulted at the following website <https://www.mapa.gob.es/es/pac/pac-2023-2027/paquete-normativo-plan.aspx>

In this regard, December 27, 2023 saw the publication in the Official State Gazette of Royal Decree 1177/2023, of December 27, 2023, amending several Royal Decrees issued for the application of the PEPAC in order to adjust the legal aid regime based on the technical experience acquired in the initial implementation. Among others, the regulations that set the conditions and requirements for accessing the aid, such as the above-mentioned Royal Decree 1048/2022, were modified.

⁷⁷ For more information on the scope of the modification, please see <https://www.mapa.gob.es/es/pac/pac-2023-2027/modificacion-plan-estrategico.aspx>.

⁷⁸ The latest version of the Strategic Plan may be consulted on the following website: <https://redpac.es/plan-estrategico-pac/pepac>

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2115/2021, of December 2, 2021, contributes to the sustainable development of rural areas through **three long-term objectives**:

1. Fostering the competitiveness of agriculture and forestry.
2. Ensuring the sustainable management of natural resources and climate action.
3. Achieving a balanced territorial development of rural economies and communities including the creation and maintenance of employment.

These objectives are achieved through the respective national and regional rural development programs (RDPs), which are co-financed by the EAFRD and the national budgets of the EU Member States.

Each RDP must work towards at least four of the six priorities of the EAFRD:

1. Fostering knowledge transfer and innovation in agriculture, forestry and rural areas.
2. Enhancing the viability and competitiveness of all types of agriculture, and promoting innovative farm technologies and sustainable forest management.
3. Promoting food chain organization, animal welfare and risk management in agriculture.
4. Promoting resource efficiency and supporting the shift toward a low-carbon and climate resilient economy in the agriculture, food and forestry sectors.

5. Restoring, preserving and enhancing ecosystems related to agriculture and forestry.
6. Promoting social inclusion, poverty reduction and economic development in rural areas.

The EAFRD priorities are in turn broken down into 18 specific focus areas. In their programs, countries set out targets relating to their chosen priorities and focus areas, as well as a strategy for meeting their targets. From 2023 onwards, all new rural development actions were incorporated into national CAP strategic plans. Each national plan will be built around key social, environmental and economic objectives for EU agriculture, forestry, and rural areas.

The EAFRD budget for the 2021-2027 period amounts to €95.5 billion, which includes an injection of €8.1 billion from Next Generation EU instrument. Of that total allocation, the maximum amounts allocated to Spain will be €4,874,879,750 in 2023, €4,882,179,366 in 2024, €4,889,478,982 in 2025, €4,896,778,599 in 2026 and €4,896,778,599 in 2027.

Lastly, it should be noted that the EAFRD can also provide **investment support for rural enterprises and projects through financial instruments**, such as loans, guarantees or equity. Details on the financial instruments available under the EAFRD are provided on the online advisory platform called Fi-Compass⁷⁹.

8.2.5 EUROPEAN MARITIME, FISHERIES AND AQUACULTURE FUND (EMFAF)

Under the new 2021-2027 budgetary framework, the **European Maritime, Fisheries and Aquaculture Fund (EMFAF)** has been

set up to replace the fund existing in the prior 2014-2020 period, and is governed, in general, by Regulation (EU) 2021/1060 of the European Parliament and of the Council June 24, 2021 and, specifically, by **Regulation (EU) 2021/1139** of the European Parliament and of the Council of July 7, 2021⁸⁰.

In particular, the EMFAF includes a budget of €6,108 million, with €797 million under “direct management”, i.e. granted directly by the Commission, and €5,311 million under “shared management”, through national programs co-financed by the EU budget and the EU Member States.

This budget, in accordance with article 3 of Regulation (EU) no. 2021/1139, will be used to pursue the following **priorities**:

1. **Promote sustainable fisheries and the restoration and conservation of aquatic marine biological resources**, by fostering:
 - Economically, socially and environmentally sustainable fishing activities.
 - Energy efficiency and reducing CO₂ emissions through the replacement or modernization of engines of fishing vessels.
 - The adjustment of fishing capacity to fishing opportunities in cases of permanent cessation of fishing activities and contributing to a fair standard of living in cases of temporary cessation of fishing activities.

⁷⁹ For more information, please see the following website <https://www.fi-compass.eu/funds/eafrd>

⁸⁰ For more information, please see the following website: https://oceans-and-fisheries.ec.europa.eu/funding/emfaf_en

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- Control and enforcement, including fighting against IUU fishing, as well as reliable data for knowledge-based decision making.
- A level-playing field for fishery and aquaculture products from the outermost regions.
- The protection and restoration of aquatic biodiversity and ecosystems.

2. **Contribute to EU food safety through aquaculture and sustainable and competitive markets**, including the following support measures:

- Sustainable aquaculture activities, especially strengthening the competitiveness of aquaculture production, while ensuring that the activities are environmentally sustainable in the long term.
- Initiatives aimed at marketing, quality and added value of fishery and aquaculture products, as well as processing of those products.

3. **Enable the growth of a sustainable blue economy and to develop prosperous coastal communities**, through both the sustainable development of local economies and communities through community-led development and through the collection, management and use of data to improve knowledge of the status of the marine environment.

4. **Strengthen the international governance of oceans and to guarantee protected, safe, clean and sustainably managed seas and oceans**, establishing maritime surveillance and cooperation mechanisms between coastguards.

Spain has the respective EMFAF Program approved by the European Commission on November 29, 2022, the full features of which can be consulted at the following website (<https://www.mapa.gob.es/es/pesca/temas/fondos-europeos/fempa/programacion/>).

8.2.6 EUROPEAN UNION RESEARCH AND INNOVATION PROGRAMS

8.2.6.1 HORIZON EUROPE

The EU has been approving successive multi-year programs which set out the lines of action of the Community policy to promote research and development activities, allocating considerable economic resources to their performance.

The EU Research and Innovation Program for the 2014-2020 period was called “**Horizon 2020**” and was regulated by **Regulation (EU) No 1291/2013** of the European Parliament and of the Council, of December 11, 2013.

The objective of the program was none other than to contribute to building a society and an economy based on knowledge and innovation across the Union, for which it had a total budget of €74,828.3 million to finance research, technological development and innovation initiatives and projects with obvious European added value.

Specifically, **Horizon 2020** was based on **three fundamental pillars**: (i) Excellent science, to increase the level of excellence in European basic science and ensure a steady flow of quality research to ensure Europe's long-term competitiveness, (ii) Industrial leadership, to speed up the development of technologies and innovations that underpin tomorrow's new technology and help innovate European SMEs to grow into world-leading companies,

and (iii) Societal challenges, focused on researching big issues affecting European citizens.

As regards access to the funding, most of the initiatives and actions in support of R&D&I contained in “Horizon 2020” were instrumented through **competitive tenders** managed by the European Commission with pre-established priorities in the respective working programs which were previously published.

In general, any European enterprise, university, research center or legal entity that wished to develop a R&D&I project, provided that its content was consistent with the lines and priorities stipulated in any of the pillars of “Horizon 2020” could participate in the calls. However, most of the actions included in the Program required submitting **consortium projects**, which had to involve at least 3 independent legal entities, each one established in a different EU Member State or associated state.

In 2021, the “Horizon 2020” Program was replaced by the **European Union Investment and Innovation Framework Program**, hereinafter referred to as **Horizon Europe**, which covers the new 2021-2027 budget period. This Program is governed by **Regulation (EU) of the European Parliament and of the Council of April 28, 2021**, and the **Specific Program** whereby it is implemented is established by Council Decision (EU) 2021/764 of May 10, 2021.

Horizon Europe is endowed with a **total budget of €5.5 billion** (including an additional €5.4 billion from the NextGenerationEU Program), which entails a substantial budgetary increase compared to Horizon 2020, making Horizon Europe the biggest European research and innovation program approved to date⁸¹.

⁸¹ For more information, please see the following website https://research-and-innovation.ec.europa.eu/funding/funding-opportunities/funding-programmes-and-open-calls/horizon-europe_en

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According to Regulation (EU) 2021/1695, the **general objective** of Horizon Europe will be (i) to deliver scientific, economic and social impact by investing in research and innovation, in order to strengthen its scientific and technological bases and boost its competitiveness, including that of its industries, (ii) deliver on the Union's strategic priorities and (iii) address global challenges, including sustainable development objectives.

In particular, the program has the following **specific objectives**:

- To support the creation and diffusion of high-quality new knowledge, skills, technologies and solutions to global challenges.
- To strengthen the impact of research and innovation in developing, supporting and implementing Union policies, and support the uptake of innovative solutions in industry and society to address global challenges.
- To foster all forms of innovation, including breakthrough innovation, and strengthen market deployment of innovative solutions.
- To optimize the Program's delivery for increased impact within a strengthened European Research Area.

To this end, according to Regulation (EU) 2021/695, Horizon Europe will be structured into **four pillars and budgets**:

1. **Excellent science**, which has a budget of €25 billion and comprises (i) the European Research Council, for pioneering research conducted by the best researchers and teams, (ii) the Marie Skłodowska-Curie Actions, to provide researchers with new knowledge and skills through mobility and training, and (iii) research infrastructure.

2. **Global Challenges and European Industrial Competitiveness**, which has a budget of €53.5 billion and consists of the following clusters: "Health", "Culture, creativity and inclusive society", "Civil security for society", "Digital, industry and space", "Climate, energy and mobility", and "Food, bioeconomy, natural resources, agriculture and environment", as well as non-nuclear direct actions of the Joint Research Center (JRC).

3. **Innovative Europe**, which has a budget of €13.6 billion and will comprise (i) the European Innovation Council, to support innovations with breakthrough and market creating potential, (ii) European innovation ecosystems, aimed at connecting regional and innovation actors, and (iii) the European Institute of Innovation and Technology (EIT), aimed at bringing key actors (research, education and business) together around a common goal for nurturing innovation.

4. **Widening Participation and Strengthening the European Research Area**, which has a budget of €3.4 billion and includes (i) widening participation and spreading excellence, and (ii) reforming and enhancing the European R&I system.

In diagram form, the structure of **Horizon Europe** is as follows:

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Pillar 1



Excellent Science

European Research Council

Marie Skłodowska-Curie Actions

Research Infrastructures

Pillar 2



Global Challenges and European Industrial Competitiveness

Clusters

- Health
- Culture, Creativity and Inclusive Society
- Civil Security for Society
- Digital, Industry and Space
- Climate, Energy and Mobility
- Food, Bioeconomy, Natural Resources Agriculture and Environment

Joint Research Center

Pillar 3



Innovative Europe

European Innovation Council

European innovation ecosystems

European Institute of innovation and Technology

Widening Participation and Strengthening the European Research Area

Widening participation and spreading excellence

Reforming and Enhancing the European R&I system

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The **main new features** introduced by Horizon Europe stem from some of the **lessons learned from the interim evaluation of Horizon 2020**, such as the following:

- Enhanced role of the **European Innovation Council** with the aim of supporting innovations with breakthrough and disruptive nature and scale-up potential that are too risky for private investors. To this end, grants are provided both (i) from early technology phase to proof of concept, and (ii) from proof of concept to the pre-commercial phase, and grants and blended finance are provided (iii) from pre-commercial phase to market and scale-up phase.
- Fostering the execution of **research and innovation missions**, to relate EU's research and innovation better

to society and citizens' needs, with better visibility and impact in five specific mission areas. These Missions will be programmed within the "Global challenges and European industrial competitiveness" pillar, although they may also benefit from actions implemented under other parts of the program, as well as complementary actions carried out under other EU programs.

- The strengthening of **international cooperation**, opening the program to association with third countries and territories that have (i) good capacity in science, technology and innovation, and (ii) the commitment to an open market economy within a predetermined legislative framework, including fair and equitable dealing with intellectual property rights, backed by democratic institutions.

- The promotion of an **"open science"** policy, so that, in general, (i) open access to scientific publications resulting from research funded under the Program shall be ensured, (ii) **responsible management of research data** shall be ensured in line with the FAIR principles, and (iii) open science practices beyond open access to research outputs and responsible management of research data shall be promoted.

To this end, (i) beneficiaries shall ensure that they or the authors retain sufficient intellectual property rights to comply with open access requirements, and (ii) **open access to research data** shall be the general rule, but exceptions shall apply if justified, taking into consideration the legitimate interests of the beneficiaries and any other constraints, such as data protection rules, security rules or intellectual property rights.

FIVE MISSIONS AREAS



Adaptation to climate change, including societal transformation



Cancer



Healthy oceans, seas, coastal & inland waters



Climate-neutral & smart cities



Soil health & food

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- A new approach to **European Partnerships**, to rationalize the funding landscape. These partnerships can take the following forms: (i) Co-programmed European Partnerships (on the basis of memoranda of understanding or contractual arrangements between the Commission and the partners), (ii) Co-funded European Partnerships (based on the commitment of the partners for financial and in-kind contributions), or (iii) Institutionalized European Partnerships (with research and innovation programs undertaken by several Member States

or by bodies, such as joint undertakings or by knowledge and innovation communities).

- Lastly, through the **spreading of excellence**, (i) establishing it as a possible criterion for awarding subsidies and as the sole criterion to be taken into account in the case of actions by the European Research Council with respect to “*knowledge frontiers*”, and (ii) creating a seal of excellence to which certain beneficiaries can aspire.

Lessons Learned

from Horizon 2020 Interim Evaluation



Support breakthrough innovation



Create more impact through mission-orientation and citizens' involvement



Rationalise partnership' landscape



Reinforce openness



Strengthen international cooperation



Encourage participation

Key Novelties

In Horizon Europe



EUROPEAN INNOVATION COUNCIL



EU NISSIONS



NEW APPROACH TO PARTNERSHIPS



OPEN SCIENCE POLICY



EXTENDED ASSOCIATION POSSIBILITIES



SPREADING EXCELLENCE

8.2.6.2 OTHER RESEARCH AND INNOVATION PROGRAMS

Parallel to **Horizon Europe**, the European Commission also extends R&D&I funding opportunities through other additional programs of significance in the context of the European Research and Innovation Strategy, such as the **COST** (European Cooperation in Science and Technology) program, initiated in 1971 and one of the oldest European framework programs supporting cooperation among scientists in all of Europe in different areas of research, the **EURATOM**, (European Atomic Energy Community) program, with the goal of coordinating the research programs of Member States in the peaceful use of nuclear energy or the **European Innovation Fund**.

• COST Program.

The COST (European Cooperation in Science and Technology) program is the first, and one of the largest, intergovernmental network for the coordination of scientific and technical research at European level, and currently involves 41 countries and Israel as a cooperating State and South Africa as a partner State. It also has a multitude of reciprocity agreements (including Australia, New Zealand, Argentina, Mexico, Brazil, the US, China, and Japan⁸²).

Source: https://research-and-innovation.ec.europa.eu/document/download/9224c3b4-f529-4b48-b21b-879c442002a2_es?filename=ec_rtd_he-investing-to-shape-our-future.pdf

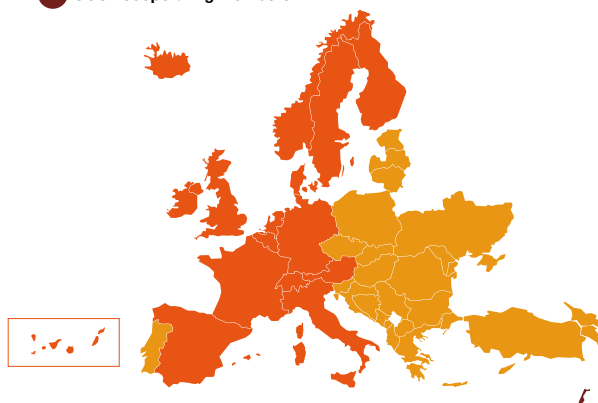
⁸² For more information, please see the following website: <https://www.cost.eu/about/strategy/cost-global-networking/>

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COST members

- COST members
- EU members and potential candidates
- COST cooperating members



Source: <https://www.cost.eu/about/members/>

This program is targeted at researchers who work (i) in universities and research centers, regardless of size, both public and private, in any of the 38 COST countries or Israel and South Africa, (ii) in any technological or scientific field, and (iii) provided that they have an original and innovative idea.

Its objective is to strengthen scientific and technical research in Europe, financing the establishment of cooperation and interaction networks between researchers who organize themselves around a specific scientific objective.

The program functions through networks known as **COST Actions**, which emerge at the initiative of researchers without pre-defined thematic priorities. **At least 7 participants** from different COST countries must join together in order to apply for an Action, at least four of which must be from COST Inclusiveness Target Countries (<https://www.cost.eu/about/cost-strategy/excellence-and-inclusiveness/>).

The projects selected will receive funding for activities previously established in the joint working program – with a four-year term – from among the following:

- Scientific meetings of working groups.
- Workshops and seminars.
- Short-term Scientific Missions (STSMs).
- Training workshops and scientific conferences.
- Dissemination publications and activities.

COST calls for proposals are permanently open, with two submission deadlines per year (spring and autumn). The procedure for selection and grant of aid is carried out in accordance with the following scheme.



Source: <https://www.cost.eu/funding/open-call-a-simple-one-step-application-process/>

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The call for proposals for COST actions for 2025 are currently open and will end on October 21.

The representative of Spain in the COST program (delegate in the committee of senior officials, CSO, and COST National Coordinator, CNC) is the Ministry of Science, Innovation and Universities through the Subdirectorate-General of International Relations.

In any case, for more information on the scope and possibilities of the program, please see the website (<https://www.cost.eu/>).

- **EURATOM Program.**

EURATOM energy research activities are carried out under the treaty with the same name, which in 1957 established the European Atomic Energy Community. Although it is true that the Member States retain most competencies in energy policy, whether based on nuclear or other sources, the EURATOM Treaty has achieved an important degree of harmonization at European level, offering a uniform legal framework for implementing a number of specific tasks for the management of nuclear resources and research activities.

For that reason, it has a **Framework Research and Training Program** (albeit complementary to Horizon Europe) and for the 2021-2025 period it is governed by **Council Regulation (Euratom) 2021/765, of May 10, 2021.**

Initially endowed with budget of €1,382 million for this period, its general objective is to **pursue nuclear research and training activities with an emphasis on continuous improvement of nuclear safety, security and radiation protection.** In this spirit, it seeks to complement the achievement of the objectives of the energy transition set in

the Horizon Europe program and, therefore, to contribute to the long-term decarbonization of the energy system in a safe, efficient and secure way.

The program has the following **specific aims**:

- Improving the safe and secure use of nuclear energy and non-power applications of ionizing radiation, including nuclear safety, security, safeguards, radiation protection, safe spent fuel and radioactive waste management and decommissioning.
- Maintaining and further developing expertise and excellence in the Union.
- Fostering the development of fusion energy and contributing to the implementation of the European fusion roadmap.
- Supporting the policy of the Union on nuclear safety, safeguards and security.

These objectives are implemented through (i) indirect actions in fusion research and development and in the field of nuclear fission, safety and radiation protection, and (ii) direct actions undertaken by the Joint Research Center.

The main new features of the EURATOM Program in this period are essentially the following: (i) a greater focus on non-energy applications of medical, industrial and space radiation, (ii) the opening of mobility opportunities for nuclear researchers through their inclusion in the Marie Skłodowska-Curie actions, and (iii) the simplification of the Program, as the specific objectives have been reduced from fourteen in the previous period to the four mentioned above.

Given that EURATOM is configured as a Program supplementary to **Horizon Europe**, it is subject to the same rules on participation

and there is also a possibility of interested parties carrying out cross-cutting actions between them through co-funding and externalization.

- **European Innovation Fund.**

Lastly, it is worth mentioning, albeit briefly, the launch of the **European Innovation Fund** as a new funding instrument aimed at promoting projects with net-zero and innovative technologies, as a key piece for delivering the EU's decarbonization commitments under the Paris Agreement and supporting the strategic vision of a climate-neutral Europe by 2050⁸³.

It is designed to build on the lessons learned from its predecessor program NER300, and aims to fund the demonstration of innovative technologies that have already passed a pilot phase but need financial support to make the leap to full-scale commercialization.

In addition, this funding instrument seeks to satisfy the climate and energy priorities put forward in the REPowerEU Plan, the Hydrogen Bank, the Green Industrial Plan and the Net-Zero Industry Act.

The Innovation Fund's goals are to:

- Help businesses invest in clean energy and industry.
- Boost economic growth.
- Create future-proof jobs.

⁸³ For further information, please refer to the following website: https://climate.ec.europa.eu/eu-action/eu-funding-climate-action/innovation-fund_en?preflang=e

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- Reinforce European technological leadership on a global scale.

To this end, funding is provided to innovative projects focusing on:

- Innovative low-carbon technologies and processes in energy-intensive industries, including products that can substitute carbon-intensive ones.

- Carbon capture and utilization (CCU).

- Construction and operation of carbon capture and storage (CCS).

- Innovative renewable energy generation.

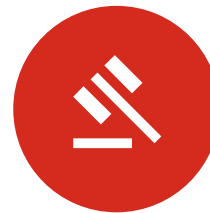
- Energy storage.

The EU Emissions Trading System (EU ETS) – the world's largest carbon pricing system – provides the Innovation Fund with its main source of revenues⁸⁴. Accordingly, the Innovation Fund's total funding will depend on the carbon price, and it may amount to €40 billion from 2020 to 2030, calculated by using a carbon price of €75/tCO₂. In practice, the Innovation Fund allowances from the EU ETS are being auctioned based on the agreed schedule and the revenues perceived are later used to provide support to innovative projects (as outlined in the following chart).

INNOVATION FUND

Deployment of net-zero and innovative technologies

Funded by: EU Emissions Trading System



Funding through
Grants and Auctions



EUR 40 billion* to invest from 2020-2030 in EU's climate neutral future



Avoid emissions and
boost competitiveness



Supporting manufacturing, production and use in:



Energy intense
industries



Renewables



Energy storage



Carbon capture
use and storage



Net-zero mobility
and buildings

*based on a carbon price of 75 EUR/tonne

⁸⁴ Specifically, in an amount equivalent to the monetization of 530 million ETS allowances.

Source: https://climate.ec.europa.eu/eu-action/eu-funding-climate-action/innovation-fund/what-innovation-fund_en?preflang=es&ettrans=es

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8.2.7 COMMUNITY INITIATIVES IN FAVOR OF CORPORATE FINANCE

Within the Community initiatives aimed at fostering corporate finance, we highlight the COSME program and the Gate2Growth initiative:

- **COSME Program:**

The **COSME** (Competitiveness of Enterprises and Small and Medium-sized Enterprises) program was an EU program aimed at improving the competitiveness of enterprises, with special emphasis on small and medium-sized enterprises, which was in effect during the 2014-2020 period.

COSME helped entrepreneurs and small and medium-sized enterprises to begin to operate, access financing and internationalize, in addition to supporting the authorities in the improvement of the business environment and boosting economic growth in the European Union. It was regulated in **Regulation (EU) 1287/2013** of the European Parliament and of the Council, of December 11, 2013.

In addition to supporting internationalization, competitiveness and entrepreneurial culture, COSME was, above all, a financial instrument which will make it possible to improve a SMEs access to financing, since at least 60% of the program's total budget (€1.4 billion) is earmarked for this purposes.

For the current 2021-2027 period, the objectives and aims pursued by COSME are being implemented via the following two programs⁸⁵:

1. **Single market program**, specially dedicated to empowering and protecting consumers and enabling

Europe's many SMEs to take full advantage of a well-functioning single market. To this end, the governance of the EU's internal market will be strengthened, thereby supporting businesses' competitiveness, promoting human, animal and plant health and animal welfare, as well as establishing the framework for financing European statistics⁸⁶. It is a **modern, simple and flexible program** which consolidates a large range of activities that were previously financed separately, into one coherent program.

This program is governed by **Regulation (EU) 2021/690, of 18 April 2021**, of the European Parliament and of the Council, which endows it with a budget of €4,208 million.

The **general aims** of the Single Market Program are to:

- Improve the functioning of the internal market, notably to protect and empower the public, consumers and businesses, especially SMEs, by enforcing EU law, facilitating market access and setting standards, promoting human, animal and plant health and animal welfare. And all of the above, while respecting sustainable development and ensuring a high level of consumer protection, as well as enhancing cooperation between national authorities, the European Commission and decentralized EU agencies.
- Develop, produce and disseminate high-quality, comparable, timely and reliable European statistics to underpin the design, monitoring and evaluation of EU policies assist the public, policymakers, authorities, businesses, academia and the media to make informed decisions help the above groups to participate actively in the democratic process.

2. **InvestEU Fund**, governed by Regulation (EU) 2021/523, of March 24, 2021, of the European Parliament and of the Council. It is a program endowed with a budgetary guarantee of approximately €26.15 billion, although it is expected to mobilize more than €372 billion in investments during the 2021-2027 period (as already referred to above in the section on the European Investment Bank).

It is structured around **four policy windows**: (i) sustainable infrastructure, (ii) research, innovation and digitalization, (iii) SMEs, and (iv) social investment and skills.

Strategic investments focusing on building stronger European value chains as well as **supporting activities in critical infrastructure and technologies** will be possible under all four of the above-mentioned windows. With this, the aim is to cater for the future needs of the European economy and promote the EU's autonomy in key sectors⁸⁷.

⁸⁵ For more information, please consult the following websites <https://ipyme.org/es-es/politicasymedidas/union-europea/Paginas/programas-europeos-apoyo-pyme.aspx> and https://eismeas.ec.europa.eu/programmes/single-market-programme/support-smes_en

⁸⁶ https://ec.europa.eu/commission/presscorner/detail/es/IP_18_4049.

⁸⁷ For more information on this Program, please consult the following website <https://ec.europa.eu/investeuportal/desktop/es/index.html>

GARRIGUES



ICEX

INVEST IN
SPAIN



Labor and
social security
regulations



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- 2 Contracts
- 3 Material modifications to working conditions
- 4 Termination of employment contracts
- 5 Senior management contracts
- 6 Contracts with temporary employment agencies
- 7 Worker representation and collective bargaining
- 8 Non-employment relationships
- 9 Acquisition of a Spanish business
- 10 Practical aspects to be considered when setting up a company in Spain
- 11 Relocation of workers under a cross-border working arrangement within the EU and the EEA (impatriates)
- 12 Visas and work and residence permits
- 13 Social security system
- 14 Equality in the workplace
- 15 Occupational risk prevention

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Labor and social security regulations

In recent years, Spanish labor legislation has been evolving to become more flexible and modern. The main legislative changes have been designed to establish a labor law framework that contributes to the effective management of labor relations and facilitates job creation, as well as promoting job stability and entrepreneurial activity.

Also, a constant in recent years has been the approval of measures aimed at promoting the entry of foreign investment and talent into Spain and the modernization of legislation on cross-border posting of workers, bringing it into line with EU law.

On the other hand, the labor reform modified the regime of fixed-term contracts (to simplify the variety of contracts and reduce

the temporality rate) and training contracts (to provide an ideal framework for the incorporation of young people into the labor market) and has enhanced the use of the discontinuous permanent contracts.

Meanwhile, the Spanish labor and employment legislation has been included significant progress regarding social rights, equal treatment and opportunities in the labor market, and remote work. Specifically, the framework agreement on social security applicable to regular cross-border teleworking should be highlighted.

Lastly, legislation relating to foreign enterprise and investment has also moved with the times, as shown by regulations governing work permits for digital nomads.

Labor and social security regulations

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1. Introduction

Employment contracts are generally regulated by the provisions of Legislative Royal Decree 2/2015, of October 23, approving the Workers' Statute (WS).

A major characteristic of Spanish labor legislation is that important employment issues can be regulated through collective bargaining, by means of collective labor agreements, that is, agreements signed between workers' representatives and employer representatives that regulate the employment conditions in the chosen sphere (areas within a company, company-wide or industry-wide).

In the last years, Spanish Labor legislation has adapted and been updated through legislative modifications in order to be more flexible and to increase the labor market in terms of employability and investment. The latest labor reform modified the regime of fixed-term contracts (to simplify the variety contracts and reduce the temporality rate) and training contracts (to provide an ideal framework for the incorporation of the youth into the labor market) and has enhanced the use of the discontinuous permanent contracts. Likewise, the legislation has been including significant progress regarding social rights and equal treatment and opportunities in the labor market. In this regard, it is worth highlighting the requirement that companies with more than 50 employees must have an LGTBI protocol, in accordance with the provisions of Article 15 of Law 4/2023 of 28 February for the real and effective equality of trans people and for the guarantee of the rights of LGTBI people.

Moreover, legislation relating to foreign enterprise and investment has also moved with the times, as shown by recent regulations governing work permits for digital nomads or the framework agreement on social security applicable to regular cross-border teleworking.

1	Introduction
2	Contracts
3	Material modifications to working conditions
4	Termination of employment contracts
5	Senior management contracts
6	Contracts with temporary employment agencies
7	Worker representation and collective bargaining
8	Non-employment relationships
9	Acquisition of a Spanish business
10	Practical aspects to be considered when setting up a company in Spain
11	Relocation of workers under a cross-border working arrangement within the EU and the EEA (impatriates)
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2. Contracts

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2.1 GENERAL ASPECTS

This section deals with the main aspects to be considered when hiring workers in Spain.

In general, discrimination in hiring or in the workplace on the grounds of gender, marital status, age, race, social status, religion or political ideology, membership of a labor union or otherwise, or on the basis of different official languages in Spain is prohibited.

The minimum employment age is 16 years old and there are certain special rules applicable to the employment of persons under the age of 18 (who, for example, cannot work overtime or at night).

2.2 TYPES OF CONTRACT

Contracts can be made verbally or in writing, unless there are express provisions that require a written contract (for example, temporary contracts, part-time contracts and training contracts). If this formal requirement is not met, the contract is understood to be permanent and full-time, unless evidence is provided to the contrary.

Companies must provide the workers' statutory representatives (if any) with a basic copy of all contracts to be made in writing (except for senior management contracts). The hiring of workers must be notified to the Public Employment Service within ten days of the contracts being made.

There are various different types of contract, including indefinite-term, fixed-term, training, distance work and part-time contracts.

On the website of the National Public Employment Service¹ anyone can access a virtual assistant for employment contracts which, based on four basic types of employment contracts (indefinite-term, temporary, training and work-experience contracts), suggests and prepares the type of employment contract that best suits the characteristics of each new hire.

The principal features of these types of contracts are explained below.

2.2.1 FIXED-TERM CONTRACTS

Spanish legislation sets out specific grounds for the execution of fixed-term or temporary contracts. There are two types of contracts: contracts due to circumstances of production and contracts for the substitution of employees.

The employment contract is presumed to be entered into for an indefinite term. All temporary contracts must be made in writing and must specify the reason for their temporary nature in sufficient detail, the specific circumstances justifying it and its connection with the foreseen term (additionally, as per contracts for the substitution of employees, the name of the person substituted must be specified). Otherwise, or if the ground for the temporary contract does not truly correspond to one of the legally-established grounds, the contract will be deemed to be made for an indefinite term, unless evidence of its temporary nature is provided.

¹ <https://www.sepe.es/HomeSepe/en/empresas/Contratos-de-trabajo/modelos-contrato.html>

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TYPE	GROUND	TERM	OBSERVATIONS
Contract due to circumstances of production	To cover production circumstances due to occasional and unforeseeable increase of the activity.		Its termination entitles the employee to receive a severance equal to 12 days' salary per year worked.
	To cover oscillations that (even though within normal activity) generates a temporary mismatch between the permanent staff available and the one required (the oscillations include those derived from annual vacations).	May not exceed a maximum of 6 months (extendable to 12 months by collective bargaining agreement for the industry).	When the maximum periods established for any temporary contract have elapsed, workers will acquire the status of indefinite-term employees of the company.
	To cover production circumstances due to occasional and predictable situation and for a reduced and limited term.	Maximum duration of 90 days per calendar year, regardless of the number of workers required on each of these days to meet the specific situations that justify the hiring, which must be duly identified in the contract.	When workers have been hired for more than 18 months within a 24-month period, with or without interruption, for the same or different position at the same company or group of companies, under two or more contracts due to circumstances of production, whether directly or through temporary employment agencies, using the same or different types of fixed-term contract, the contract will be automatically converted into an indefinite-term contract. Likewise, the status of permanent employee shall be acquired by a person who occupies a position which has been occupied with or without solution of continuity for more than 18 months in a period of 24 months through contracts due to circumstances of production, including contracts made available through temporary employment agencies. The performance of work under contracts, subcontracts or administrative concessions that constitute the usual/ordinary activity of the company may not be identified as a cause of this contract.
Fixed-term contracts for the substitution of employees	To substitute workers entitled to return to their job due to a statutory provision, or the provisions of a collective labor agreement or individual agreement.	From the beginning of the period (or up to 15 days before the beginning of the period) until the return of the substituted worker or expiry of the term established for the substitution.	The contract must state the name of the substituted worker and the grounds for the substitution.
	To complete the reduced working day of another worker, when such reduction is covered by legally or conventionally established causes.	For the entire duration of the reduced working day of the worker whose working day is to be completed.	The contract must state the name of the person whose working day is to be completed and the cause of the substitution must be identified.
	Temporary coverage of a job position during a selection or promotion process to be covered by a permanent contract.	Maximum of 3 months.	

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2.2.2 TRAINING CONTRACTS

CONTRACT	PURPOSE	TERM	OTHER INFORMATION OF INTEREST
Training contract for obtaining professional practice	Hiring of university graduates or workers with higher or advanced vocational training qualifications (first degree, master's degree or doctorate) or officially recognized equivalent qualifications of artistic or sports education, or workers holding a vocational qualification certificate (<i>certificado de profesionalidad</i>) entitling them to work in their profession.	Minimum of 6 months and maximum of 1 year. Sick leave, birth leave, leave for adoption or custody for adoption or fostering, leave due to risk during pregnancy and during breastfeeding and gender violence all toll the duration of the contract.	As a general rule, no more than 3 years may have elapsed since completion of the relevant studies, or 5 years if the contract is made with a disabled worker. The job must allow for adequate professional practice according to the level of studies or training that is the subject of the contract. An individual training plan shall be drawn up and a mentor shall be assigned. No employee may be hired in the same or different companies for longer than the maximum period of time by virtue of the same professional qualification or certificate. The employee may not work overtime (except to prevent or repair extraordinary and urgent damage). The employee shall have the right to obtain certification of the content of the internship performed. The compensation shall be the one established in the collective bargaining agreement applicable to the company for these contracts or, if none, the one applicable to the professional group and compensation level corresponding to the functions performed, which can never be less than the established for training contract in alternation or the minimum wage.
Training contract in alternation	The purpose of this type of contract is making compatible paid work activity with the corresponding training processes (vocational training, university studies and the National Employment System's Catalog of Training Specialties). To be entered into by those who lack the occupational qualifications recognized by the vocational training system or education system required for a work experience contract for the position or occupation for which the contract is made.	Minimum of 3 months and maximum of 2 years. Sick leave, birth leave, leave for adoption or custody for adoption or fostering, leave due to risk during pregnancy and during breastfeeding and gender violence all toll the duration of the contract.	The theoretical training provided by the training center or workplace or the company itself, when so established, as well as the corresponding practical training provided by the company and workplace, are a substantial element of this contract. There must be a tutor both in the training entity and in the company, as well as the elaboration of individual training plans. Generally, only one contract may be concluded for each training cycle. The effective working time (compatible with training) is subject to limits 65% on the first year and 85% on the second year. Workers cannot work overtime (except to prevent or repair extraordinary and urgent damage), at night or in shifts. This contract may not be entered into when the activity or position has been previously performed by that employee in the same company for a period of more than 6 months. A trial period cannot be established. Where it does not regulate this, the compensation may not be less than 60% (during first year) or 75% (during second year) of the fixed salary corresponding professional group or level, never being under the minimum wage.

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2.2.3 PART-TIME CONTRACTS

An employment contract will be a part-time contract when a number of hours of work has been agreed with the worker per day, week, month or year, which is less than the working hours of a “comparable full-time worker”, that is, a full-time worker at the same company and workplace who performs identical or similar work.

Part-time workers have the same rights as full-time workers, although at times, according to their nature, such rights will be recognized proportionally, according to the time worked, having to guarantee, in any case, that there is no direct nor indirect discrimination between women and men.

Part-time workers cannot work overtime, except to prevent or repair losses and other urgent and extraordinary damages.

However, supplementary hours (hours worked in addition to those agreed in the contract, the performance of which is agreed beforehand) can be carried out. Supplementary hours may not exceed 30% of ordinary working hours (except where they are increased up to 60% in a collective labor agreement).

The employer is allowed to offer the employee hired indefinitely on a part-time basis no less than 10 weekly hours (on an annual basis), supplementary hours which are voluntary, which may not exceed 15% of the ordinary hours of the employment contract (30% if agreed in the applicable collective labor agreement).

The total ordinary hours and supplementary hours may not exceed the statutory limit for part-time work.

2.2.4 INDEFINITE-TERM CONTRACTS FOR SEASONAL OR INTERMITTENT WORK

This type of contract may be used for the performance of work of a seasonal nature or linked to seasonal activities and for the

performance of work that is not of a seasonal nature but which, being of an intermittent nature, has certain, determined or undetermined periods of performance.

It may be used to carry out work in the context of commercial or administrative contracts which, being foreseeable, are part of the ordinary activity. In this case, periods of inactivity may only occur as waiting periods between reassignments between subcontracting. The maximum period of inactivity shall be three months, unless otherwise provided for in the collective bargaining agreement. Once this period has expired, the company must adopt the appropriate temporary or definitive measures.

Indefinite-term contracts for seasonal or intermittent work must be formalized in writing and reflect the essential elements of the work activity (among others, the duration of the period of activity, the working hours and its hourly distribution, although the latter may be stated on an estimated basis, to be specified at the time of the call).

Collective bargaining agreements (or company agreements) will establish the criteria to call the employee. Likewise, the legal representatives of the workers must be informed sufficiently in advance, at the beginning of the calendar year, of the forecasts of the calls.

2.2.5 DISTANCE WORK (TELEWORK)

Law 10/2021 defines regular remote work where, within a reference period of 3 months, accounts for at least 30% of the working day, or the equivalent proportional percentage depending on the duration of the employment contract. The remote working agreement shall be in writing, voluntary and reversible for the employee and the company, and may be signed at the beginning of the employment relationship or later on.

Workers' statutory representative must receive a copy of each remote working agreement within 10 days since its signing,

which must be subsequently sent to the corresponding Public Employment Service office.

Mandatory minimum required content of each remote working agreement is:

- Inventory of means, equipment and tools provided.
- Expenses that remote working may cause, as well as monetary compensation, timing and method in which the Company shall pay for them.
- Working hours and availability periods.
- Percentage and distribution between on site and remote working hours.
- Corresponding workplace.
- Designated remote working place.
- Reversibility advance notice period.
- Means of exercising corporate control.
- Procedure to be followed in the event of technical difficulties preventing remote working.
- Company instructions (participated by workers representatives) on data protection.
- Company instructions (after informing workers representatives) on information security.
- Length of the remote working agreement.

Any modification of the above must be subject of a new written agreement.

2.3 TRIAL PERIOD

Employers can assess a worker's abilities by agreeing on a trial period during which the employer or the worker can freely terminate the contract without having to allege or prove any cause, without prior notice and with no right to any indemnity in favor of the worker or the employer.

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However, the termination by the employer will be null in where terminating the contract of a pregnant employee, from the start date of the pregnancy until the beginning of the suspension for birth, unless there are grounds not related to pregnancy or maternity.

Where a trial period is agreed (provided that the worker has not performed the same functions before at the company under any type of employment contract, in which case the trial period would be null and void), it must be put in writing. Collective labor agreements may establish time limits for trial periods which, as a general rule and in the absence of any provision in the collective labor agreement, cannot exceed:

- Six months for college and junior college graduate specialists.
- Two months for all other employees. At companies with fewer than twenty-five employees, the trial period for employees who are not college or junior college graduate specialists cannot exceed three months.
- One month in the case of temporary fixed-term employment contracts agreed for a time-period of less than six months.

Training contracts and special employment contracts (domestic workers, senior managers, among others) have their own specific trial periods.

2.4 WORKING HOURS

The following table summarizes the fundamental legislation governing working hours:

ITEM	REGULATION
Maximum working hours	The maximum working hours are those agreed in collective bargaining agreements or individual employment contracts (within the limits of the applicable collective bargaining agreements). In general, the maximum working week is 40 hours of time actually worked, calculated on an annualized average basis, and the irregular distribution of working hours throughout the year may be agreed. In the absence of any agreement, the company may distribute 10% of the working hours on an uneven basis. The company must guarantee the daily registration of the working day, without prejudice of the working time flexibility established, which must include the specific start and end time of each employee's working day, and these records must be kept for four years (they must be available to the workers, their legal representatives and the Inspection of Work and Social Security). In addition, employees have the right to digital disconnection to guarantee the respect of their rest time, permits and vacations, as well as their personal and family privacy outside of the legal or conventionally established work time.
Overtime	Overtime is time worked in excess of the maximum ordinary working hours. By collective bargaining agreement or, in the absence thereof, by individual contract, there shall be a choice between paying overtime at the amount established, which in no case may be less than the value of the ordinary hour, or compensating them with equivalent paid time off periods. Paid overtime may not exceed 80 hours per year. The compensation with time off must be given within four months of the date on which the overtime was worked, unless otherwise agreed. Overtime is generally voluntary.
Rest periods / public holidays / vacation / paid leave	A minimum of one and a half days off per week is mandatory, which may be accumulated by periods of up to 14 days. Official public holidays may not exceed 14 days per year. Workers are entitled to a minimum vacation period of 30 calendar days, and cannot be paid in lieu of that period, save in case of termination of the contract with accrued and unused vacation. Workers are entitled to paid leave in certain circumstances, such as marriage, performance of union duties, performance of unavoidable public or personal duties, breastfeeding, relocation of main residence, serious illness or accident, hospitalization or death of relatives up to the second degree of kinship or affinity, prenatal exams and birth preparation, etc.
Reduction in working hours and right to adapt the duration and distribution of the working hours	Workers may be entitled to a reduction in their working hours in certain cases, for example: to directly care for children under 12 or family members by consanguinity or affinity up to the second degree, who cannot take care of themselves, and during the hospitalization and continuing treatment of a child in their care with cancer or any other serious illness that entails a long hospital stay and who requires direct, continuing and full-time care, until the individual reaches 23 years. In addition, employees have the right to request adaptations of the duration and distribution of the working day, in the organization of working time and in the way they render their services, including the possibility of remote working, to make effective their rights to conciliation of family and work life. In the case that they have children, the right will exist until they reach 12 years.

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2.5 WAGES AND SALARIES

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The official minimum wage is established by the Government each year and in 2025² it amounts to €39.47 per day or €1,184 per month (€16,576 per year), depending on if the salary is fixed on a daily or monthly basis. However, the minimum wages for each professional group are usually regulated in collective labor agreements.

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Salaries cannot be paid at intervals of more than one month.

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At least two extra payroll payments must be paid each year: one at Christmas and the other on the date stipulated in the relevant collective labor agreement (generally before the summer vacation period). Thus, an employee's gross annual salary is usually spread over 14 payroll payments; however, the prorating of the extra payroll payments within the 12 ordinary monthly installments can be agreed on in a collective labor agreement.

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2 | Royal Decree 87/2025 of 11 February, fixing the minimum interprofessional wage

3. Material modifications to working conditions

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Employers may make material modifications to the working conditions of their employees (working hours, timetable, salary, functions, among others) provided that there are proven economic, technical, organizational or production-related grounds and that the legally provided procedure is followed (15 days' advance notice where individual workers are affected or a consultation period with the workers' representatives in the case of collective modifications).

There is also a specific procedure to opt out of the working conditions established in the applicable collective labor agreement (whether at industry or company level) on economic, technical, organizational or production-related grounds. In this case, since the conditions were established by collective bargaining, a consultation period must be followed, and only if an agreement is reached or the legally established procedures are fulfilled (arbitration, or the National Commission of Consultation of Collective Bargaining Agreements), the conditions can be left with no application. The agreement must establish the new working conditions applicable at the company and their duration, which may not extend beyond the moment at which a new collective labor agreement applies at the company.

4. Termination of employment contracts

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4.1 DISMISSALS

An employment contract may be terminated for a number of reasons which normally do not give rise to any dispute, such as mutual agreement, expiration of the contractual term, death or retirement of the employee or of the employer, and so on.

In the event of termination by the employer, there are three main grounds for dismissal of an employee:

- Collective layoff
- Objective grounds
- Disciplinary action

The following table summarizes the grounds and main features of the various types of dismissal:

DISMISSAL	LEGAL GROUNDS	OBSERVATIONS
Collective layoff	Grounds: Economic, technical, organizational or production-related grounds, whenever these affect, in a 90-day period, at least: • The entire payroll, if more than 5 workers are affected and the activity of the company ceases entirely. • 10 workers at companies with less than 100 employees. • 10% of the employees at companies with between 100 and 300 workers. • 30 workers, at companies with 300 or more employees. According to the interpretation made by the Supreme Court, following the doctrine of the Court of Justice of the Europe Union, the above thresholds refer to the company as a whole and to each work center with more than 20 employees, being the 90-day period a mobile/dynamic timeframe.	• Collective layoffs must follow the legal procedure established under article 51 of the Workers' Statute. This procedure involves a period of negotiation with the workers' representatives of no more than 30 calendar days, or 15 days at companies with less than fifty employees, and the outcome and final decision must be notified to the labor authorities. • The employer must give 7 or 15 days' prior notice of its intention to start a collective layoff procedure, depending if the communication is issued to the workers' representatives or the own employees (in case there are no workers' representatives). • After notifying the decision to the workers' representatives, the employer would be entitled to individually notify the workers concerned of the layoffs. At least 30 days must elapse between the date on which the commencement of the consultation period is notified to the authorities and the effective date of dismissal. • If the collective layoff affects more than 50 workers (except at companies subject to insolvency proceedings), the company must offer the workers concerned an outplacement plan through an authorized outplacement company, of at least six months' duration, which must include professional guidance and training measures, personalized assistance and an active job search. • The statutory severance consists of 20 days' salary per year worked, up to a maximum of 12 months' salary, or more if so agreed, the same notification requirements for individual objective dismissals must be complied with. • In general (except at companies subject to insolvency proceedings), when workers aged 55 or over are affected, special agreements must be signed with the social security authorities. • In some cases, if workers affected in the collective layoff are aged 50 or over, an economic contribution must be made to the Public Treasury.
	Definition of legal grounds: • Economic: where a negative economic situation transpires from the results of the company, in cases such as current or expected losses, or a persistent decline in ordinary revenues or sales. In all cases, the decline will be deemed persistent if for three consecutive quarters the level of ordinary revenues or sales in each quarter is lower than the figure recorded in the same quarter of the preceding year. • Technical: where there are changes in the methods or instruments of production, among others. • Organizational: where there are changes in the personnel working methods and systems or in the manner of organizing production, among others. • Production-related: where there are changes in the demand for the products or services that the company intends to place on the market, among others.	

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DISMISSAL	LEGAL GROUNDS	OBSERVATIONS
Objective grounds	• Ineptitude of the worker coming to light or not foreseen until after being hired by the company. • Inability of the worker to adapt to changes made to his job. Before dismissing the worker, employers must offer the worker a training course to facilitate adaptation to such changes. Workers cannot be dismissed until a minimum period of two months has elapsed since the changes were made or the training was completed. • In case of economic, technical, organizational or production-related reasons (see definition of the reasons under collective layoff). • In indefinite-term contracts arranged directly by not-for-profit entities to implement determined public plans and programs, without stable economic endowment and financed by the Public Administrations through annual budgetary or extra-budgetary appropriations as a result of external income of a final nature, for the insufficiency of the appropriate allocation of funds to enable the contracts to continue.	• The employer must serve at least 15 days' advance notice in writing on the worker (or pay the corresponding salary). • Severance (20 days' salary per year worked, up to a maximum of 12 months' salary) must be made available to the worker at the same time the written notice of dismissal is served.
Disciplinary action	Serious and culpable breach by the worker: • Repeated and unjustified absenteeism. • Insubordination or disobedience. • Physical or verbal abuse towards the employer. • Breach of contractual good faith or abuse of trust. • Willful reduction in job performance. • Habitual drug or alcohol abuse which adversely affects job performance. • Harassment by reason of race or ethnic origin, religion or beliefs, disability, age or sexual orientation, and sexual or gender harassment towards the employer or persons working at the company.	• The employer must serve written notice of disciplinary dismissal, stating the grounds and the effective date of dismissal. • If a workers' representative or labor union delegate is dismissed, a disciplinary procedure in which all parties are heard (<i>expediente contradictorio</i>) must be followed. If the worker is a labor union member, the union delegates should be granted a hearing. These safeguards may be increased by collective agreement. • If these formalities are not met, a further dismissal may be made in a period of 20 days by paying the employee the salary accrued in the meantime, with effect as of the date of the new notice.

In the case of disciplinary dismissals, it should be noted that, in its ruling dated 18 November 2024, the Supreme Court has changed its doctrine on the procedure for executing disciplinary dismissals. As of that date, the new doctrine states that companies must comply with a hearing of the employee before notifying him/her of the disciplinary dismissal, except in cases where this cannot reasonably be required of the company.

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4.2 CLASSIFICATION OF THE DISMISSAL

A worker dismissed on any objective or disciplinary ground may appeal the decision made by the employer before the labor courts, although a conciliation hearing must first be held between the worker and the

employer to attempt to reach an agreement. This conciliation hearing is held before an administrative mediation, arbitration and conciliation body.

The dismissal will be classified in one of the three following categories: justified, unjustified or null.

CLASSIFICATION	EVENTS	EFFECTS
Justified	Conforming to law.	Disciplinary dismissal: validation of the dismissal, meaning the worker is not entitled to severance pay. Objective dismissal: payment of 20 days' salary per year worked, up to a limit of 12 months' salary.
Unjustified	No legal ground exists for the dismissal or the procedure followed is incorrect.	The employer may choose between: - Reinstating the worker, in which case the worker will be entitled to back pay accrued from the date of dismissal until the notification of the decision or until the worker found a new job, if this occurred prior to the decision. - Terminating the contract, by paying severance of 33 days' salary per year worked, up to a maximum of 24 months' salary (for contracts formalized before February 12, 2012, severance will be calculated at 45 days' salary per year of service for the time worked up to such date and at 33 days' salary per year of service for time worked thereafter, case in which the severance can be no more than 720 days of salary, unless the severance corresponding to the period prior to February 12, 2012 results in an amount of days above, case in which this shall be the maximum severance, notwithstanding the 42 monthly installments cap. If the dismissed worker is a workers' representative or a union delegate, the choice will rest with the worker and back pay will accrue in all cases.
Null	- The alleged ground is a form of discrimination. - It implies a violation of fundamental rights. - It affects pregnant workers, during the period of holding in abeyance of the contract due to maternity or paternity, request for adaptation of working hours, risk during pregnancy, adoption, custody for adoption or fostering, reduction in working hours to care for children or relatives or for breastfeeding, and, in certain circumstances, female workers who have been the victims of gender violence. It also affects workers who have gone back to work after the period of holding in abeyance of the contract due to birth, adoption or custody for adoption or fostering has ended, provided that no more than twelve months have elapsed since the date of birth, adoption, custody for adoption or fostering of the child. - Collective dismissals may also be considered null and void if the company has not carried out the consultation period or provided the legally required documentation.	- Immediate reinstatement of the worker. - Payment of salaries not received.

5. Senior management contracts

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Special rules apply to certain types of employee, including most notably the special senior management labor relationship governed by Royal Decree 1382/1985, of August 1, 1985.

A senior manager is an employee who has broad management authority in relation to the company's general objectives and exercises that authority independently and with full responsibility, reporting only to the company's supreme governing and managing body.

The working conditions of senior managers are subject to fewer constraints than those for ordinary employees and, as a general rule, the parties (employer and senior manager) have ample room for maneuver in defining their contractual relationship.

The following provisions are established in relation to the termination of senior management employment contracts:

- Senior managers' contracts can be terminated without cause by serving notice at least 3 months in advance, in which case they are entitled to severance pay of seven days' pay per year worked, up to a maximum of six months' pay, unless different terms of severance have been agreed on.
- Alternatively, a senior manager can be dismissed on any of the grounds stipulated in general labor legislation (objective grounds, disciplinary action). If the dismissal is held to be unjustified, the senior manager is entitled to 20 days' pay in cash per year worked, up to a maximum of 12 months' pay, unless different terms of severance have been agreed on.
- In addition, the law establishes certain grounds on which the senior manager can terminate his or her contract and receive the agreed-upon severance pay and, failing that, the severance pay established for termination due to employer withdrawal.

- Senior manager may freely withdraw from their contracts by serving at least 3 months' advance notice.

Although the statutory severance for senior managers is currently lower than that for ordinary employees, in practice, senior management contracts usually provide for severance payments that are higher than the statutory minimum.

6. Contracts with temporary employment agencies



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Under Spanish law, the hiring of workers in order to lend them temporarily to another company (the user company) may only be carried out by duly-authorized temporary employment agencies (ETT) and in the same scenarios in which temporary or fixed-term contracts can be made, including training contracts for obtaining professional practice and training contract in alternation.

Therefore, the hiring of workers through ETTs can only be used in specific cases and is expressly prohibited in the following cases:

- To replace workers on strike at the user company.
- To perform work and activities subject to regulation because they pose a particular hazard to health or safety (such as jobs which involve exposure to ionizing radiation, carcinogenic, mutagenic or reprotoxic chemicals, or to biological agents).
- Where the company has abolished the job positions it intends to fill by unjustified dismissal or on the grounds provided for termination of the contract unilaterally by the worker, collective dismissal or dismissal on objective grounds in the 12 months immediately preceding the hiring date.
- To lend workers to other temporary employment agencies.

Workers hired in order to be loaned to user companies will be entitled, during the period they provide services at the user company, to the basic working conditions and terms of employment (remuneration, working hours, overtime, rest periods, nighttime work, vacation and public holidays, among others) they would have enjoyed, had they been hired directly by the user company for the same position. The remuneration of the loaned workers must include all economic components, fixed and variable, linked to the position to be filled in the collective labor agreement applicable at the user company.

In addition to temporarily loaning workers to other companies, ETTs can also act as placement agencies where they meet the legal requirements to do so.

7. Worker representation and collective bargaining

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Workers are represented by labor unions. At company level, workers are represented by directly-elected representatives (workers' delegates or works committees, which may or may not belong to a union) and by labor union representatives (workplace union branches and union delegates representing a labor union at the company).

Employers are not obliged to have workers' representatives if workers have not requested union elections. However, if requested by the workers, employers are obliged to allow union elections and appoint such representatives on the terms provided by law.

In general, the function of directly-elected workers' and labor union representatives is to receive certain information specified in the Workers' Statute in order to monitor compliance with labor legislation. They are entitled to participate in negotiations prior to the execution of collective procedures (such as material changes to working conditions, collective layoffs, etc.) and to request the issue of reports prior to full or partial relocation of facilities, mergers or any other modification to the legal status of the company, among others.

In addition, unions (within a company) or directly-elected workers' or labor union representatives can negotiate collective labor agreements with the employers' association (in the first case) or with the company (in the second case).

Collective labor agreements are agreements executed between the workers' representatives and the employers' representatives to regulate working conditions and terms of employment and are binding on the parties.

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8.1 ECONOMICALLY DEPENDENT SELF-EMPLOYED WORKERS

Although this is not strictly an employment matter, brief reference should be made to Law 20/2007, of July 11, 2007, on the Self-Employed Workers' Statute, which regulates the concept of economically dependent self-employed workers.

This concept defines independent professionals (self-employed workers) who pursue an economic or professional activity for profit, habitually, personally, directly and predominantly for one individual or legal entity, known as the client, on which they depend economically because they receive from that client at least 75% of their income from work performed and from economic or professional activities. Certain requirements must be met simultaneously by self-employed workers if they are to be treated as economically dependent self-employed workers.

The above law establishes specific regulations on the terms on which self-employed workers provide services to their clients.

8.2 INTERNSHIPS WITHOUT THE STATUTORY EMPLOYMENT RIGHTS AT COMPANIES

There are a number of cases in which a person can carry on activities at a company without such activities being treated as employed work:

- External academic placements for university students, defined as training completed by university students and supervised by their universities, with a view to enabling students to apply and supplement the knowledge acquired in their academic training.

- Internships without the statutory employment rights at companies or business groups that enter into agreements with the Public Employment Service, aimed at young people (between 18 and 25 years of age) who, due to their lack of work experience, have difficulty finding employment. These internships can be taken by people in the above age group who have not had an employment relationship or other type of work experience of more than three months in the same activity, and may last between three and nine months. Interns will receive a grant from the company of at least 80% of the monthly Public Multi-Purpose Income Indicator (IPREM) in force at any given time (in 2025 the monthly IPREM amounts to €600³ per month).

A new Scholarship Statute is to be drawn up in relation to the internships envisaged in official study plans.

³ As the General State Budget for the year 2024 and 2025 has not been approved, the amount corresponding to the year 2023 is maintained.

9. Acquisition of a Spanish business

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Certain labor law provisions are particularly relevant when acquiring or selling a going concern in Spain. For example, if a business is transferred, both the seller and the buyer are jointly and severally liable in the three years following the transfer for any labor obligations arising prior to the transfer.

When a business is transferred, the new employer is subrogated to the previous employer's labor and social security rights and obligations, including pension commitments on the terms provided in the specific legislation and, in general, to as many supplementary employee welfare obligations as may have been entered into by the previous employer.

The seller and buyer must inform their respective workers' representatives in advance of certain aspects of the upcoming transfer. Specifically, the information provided must comprise at least the following:

- Proposed date of transfer.
- Reasons for the transfer.
- Legal, economic and social consequences of the transfer for the workers.
- Envisaged measures with respect to the workers.

If there are no workers' statutory representatives at the affected companies, the information must be supplied directly to the workers affected by the transfer.

There is also a binding obligation to hold a consultation period with the workers' statutory representatives where, as a result of the transfer, labor measures are adopted for the personnel affected. The consultation period will address the envisaged measures and their consequences for the workers and must be arranged sufficiently in advance of the date on which such measures are to be implemented.

In the case of business succession or a significant change in ownership, which results in the renewal of the governing bodies or changes to the content and purpose of its core activity, senior management personnel will be entitled to terminate their employment contract within the 3 months following the occurrence of such changes and to receive severance equal to 7 days' pay in cash per year worked, up to a maximum of 6 months' pay, or such severance as may have been agreed on.

10. Practical aspects to be considered when setting up a company in Spain



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In general, from a labor and social security standpoint, the following essential formalities must be performed in order to open a company or workplace in Spain.

FORMALITY	BASIC ASPECTS
Registration of the company with the Spanish social security authorities (obtainment of a social security contribution account code)	Registration must take place prior to commencement of activities. In general, companies register with the Social Security General Treasury by submitting the relevant official form⁴ and documentation identifying the company (deed of formation, document issued by the Ministry of Finance assigning the tax identification number and stating the economic activity of the company, powers of legal representation of the company, document of affiliation to the collaborator mutual insurance company, among others).
Notification of hiring of employees	The hiring of employees must be notified for social security purposes once the company has been registered with the social security authorities and before the workers start work. Notifications are generally made electronically, using the RED electronic document submission system.
Notification of opening of workplace	The commencement of activities at the workplace must be notified to the labor authorities within 30 days of its opening using the official form provided for such purpose in each Autonomous Community. An occupational risk prevention plan must usually also be attached.

⁴ <https://www.seg-social.es/wps/portal/wss/internet/Empresarios/Inscripcion/10929/31193/48532?changeLanguage=en>

11. Relocation of workers under a cross-border working arrangement within the EU and the EEA (impatriates)



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11.1 TEMPORARY CROSS-BORDER WORKING OF LOCAL HIRING

As a general rule, employees temporarily posted to Spain under cross-border working arrangements can maintain the employment contract signed in their country of origin.

Both Regulation 593/2008 of the European Parliament and of the Council of June 17, 2008, on the law applicable to contractual obligations (Rome I) and Article 10.6 of the Civil Code, allows the parties to choose the applicable law, save for any mandatory matters under Spanish law.

The Law 45/1999, of November 29, 1999 establishes that in certain temporary secondments a number of minimum working conditions must be observed.

This Law applies to workers relocated by employers from the European Union, and from the European Economic Area (the EU plus Norway, Iceland and Liechtenstein) in a cross-border working agreement for a limited time period in the following cases:

- Within the same company or within a group of companies.
- Under international services contracts.
- When the workers of a temporary employment agency are posted to a client company in Spain.

The only exceptions to the above are in the case of employee relocations during training periods and postings lasting less than eight days, unless they involve workers employed by temporary employment agencies.

The minimum working conditions to be guaranteed by employers in the above countries in accordance with Spanish labor legislation

and, regardless of the law applicable to the employment contract, are essentially: (i) working time, (ii) salary (which must be at least the amount provided for the same position under a statutory or regulatory provision or collective labor agreement), (iii) equality of treatment, (iv) the rules on underage work, (v) prevention of occupational risks, (vi) nondiscrimination against temporary and part-time workers, (vii) respect for privacy, dignity, and the freedom to join a union, and (viii) rights of strike and assembly, (ix) accommodation terms and (x) allowances to cover travel, accommodation and meals expenses

When the effective duration of the assignment exceeds 12 months, companies included in the scope of application of the referred Law 45/1999, in addition to the above conditions, must guarantee the rest of the working conditions provided by the Spanish employment law, with the exception of (i) the procedures, formalities and conditions of conclusion and termination of the employment contract, including the non-competition clauses and (ii) the complementary retirement regimes.

Notwithstanding, more favorable conditions applied in their country of origin, will still apply to employees assigned in Spain.

Employers in such cases must also notify postings to the Spanish Labor Authorities before the worker starts work and regardless of the duration of the posting (except for those lasting less than eight days), designating a representative in Spain. The notice must be served by the foreign company that posts the worker on the authorities of the Autonomous Community in which the posted worker is to work⁵ (a central electronic register of notices is still to be created). The basic contents of this notice are: identification of the company that posts the worker, as well

⁵ https://www.mites.gob.es/es/sec_trabajo/debes_saber/desplazamiento-trabajadores/datoscontacto-autlaborales/index.htm

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as the company that hosts him; identification of the worker; commencement date and projected duration; and identification of the specific case of posting.

There is also an obligation to make the following documentation available (translated into Spanish or the co-official language of the place where the workplace is located) at the workplace to which the worker has been posted: employment contracts or essential elements of the contract; pay statements and evidence that workers have been paid; any records of hours kept, indicating the beginning, end and duration of the working day; work permit of third-country nationals in compliance with the legislation of the State of establishment.

Lastly, employers are under the obligation to notify the Spanish Labor Authorities of any damage to the health of posted workers occasioned upon or as a result of work performed in Spain.

The legislation on labor infringements and penalties classifies a series of infringements in this connection. Formal defects in notifying the relocation of workers to Spain or failing to serve notice of minor occupational accidents and professional diseases of those workers constitute a minor infringement, while notification of the relocation after it has taken place, or without designating a representative or giving false or inaccurate reasons for extension of the assignment, not having the aforesaid documents available during the relocation or failing to serve notice on the Labor Authorities of serious, very serious or mortal accidents of the posted workers are classed as a serious infringement as well as not complying with the request of the Inspection of filing documentation or filing it with no translation. Failing to notify the relocation or any misrepresentation or concealment of the data contained in the notification are considered very serious infringements and the fraudulent transfer of workers that do not carry out substantive activities in their State of establishment, as well as the fraudulent transfer of workers who do not usually carry out their work in the Member State of origin.

Failing to meet the minimum working conditions mentioned above, which are classified according to the penalties applicable to Spanish employers, are considered administrative infringements.

We will be under situations of local hiring instead of temporary transfers when companies without establishment in Spain hire workers in the country.

If it is not a temporary secondment, but rather, the provision of services in Spain has a vocation of permanence, the employer will sign an employment contract with the employee in accordance with Spanish regulation (local hiring). Foreign companies without an establishment in Spain hire locally without the need to establish a Spanish company. The foreign company, however, will have to follow the steps set out in [section 10 above](#), but referred to the foreign company.

11.2 APPLICABLE SOCIAL SECURITY

Council Regulations (EC) 883/2004 and 987/2009 on the coordination of social security schemes apply within the European Union, the Economic European Area, and Switzerland and ensure that the workers to whom they are applicable are not adversely affected from a social security standpoint by moving from one Member State to another.

There are a number of bilateral social security agreements between Spain and other countries, which regulate the effects on Spanish public benefits of periods of contribution to the social security systems of other States. These agreements also determine the State in which social security contributions are to be paid in cases of relocation and temporary or permanent assignments abroad.

The following bilateral agreements⁶ are currently in force:

BILATERAL AGREEMENTS WITH SPAIN	PERSONS TO WHOM IT APPLIES
Andorra	Any nationality
Argentina	Any nationality
Australia	Any nationality
Brazil	Any nationality
Canada	Any nationality
Cape Verde	Any nationality
Chile	Spaniards and Chileans
China	Any nationality
Colombia	Spaniards and Colombians
Dominican Republic	Spaniards and Dominicans
Ecuador	Any nationality
Japan	Any nationality
Morocco	Spaniards and Moroccans
Mexico	Spaniards and Mexicans
Moldova	Any nationality
Paraguay	Any nationality
Peru	Any nationality
Philippines	Spaniards and Philippines
Republic of Korea	Any nationality
Russia	Spaniards and Russians
Senegal	Any nationality
Tunisia	Spaniards and Tunisians
Ukraine	Spaniards and Ukrainians
Uruguay	Any nationality
USA	Any nationality
Venezuela	Spaniards and Venezuelans

⁶ <https://www.seg-social.es/wps/portal/wss/internet/InformacionUtil/32078/32253?changeLanguage=en>

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Finally, the Multilateral Latin American Social Security Agreement is also applicable in Spain, an instrument coordinating the different social security legislation on pensions of the different Latin American States that have ratified it and signed the Implementation Agreement (currently Bolivia, Brazil, Colombia, Chile, Ecuador, El Salvador Paraguay, Portugal, Uruguay, Dominican Republic, as well as Spain).

There is also a protocol on social security coordination following the UK's exit from the European Union.

Workers posted to Spain under the relevant social security agreements or regulations who continue to be subject to the legislation of their country of origin and evidence this by way of the relevant certificate, generally will not be registered with the Spanish social security system for the period envisaged in same, according to the terms of the agreement.

On the contrary, when a worker is employed in Spain to carry out services in this country on a permanent basis, the general rule of registration into the Spanish Social Security System shall apply irrespective of the worker's nationality.

Finally, it should be noted that several Member States have signed the framework agreement on the application of Article 16 of Regulation (EC) No 883/2004 in cases of regular cross-border teleworking, which makes the social security treatment of Community cross-border teleworkers the same as that of posted workers, subject to certain conditions.

12. Visas and work and residence permits^{7, 8}



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EU nationals and their family members may live and work (as employees or self-employed workers) in Spain without needing to obtain a work permit. However, in general they must obtain the relevant EU citizen registration certificate or EU citizen family member residence card.

Non-EU nationals must obtain prior administrative authorization to be able to live and work in Spain.

Law 14/2013, of September 27, 2013, to support entrepreneurs and their internationalization, provides for the following types of visas and residence and work permits, among others:

- Residence for entrepreneurs: in order to pursue an entrepreneurial activity or to commence, pursue or manage an economic activity as an entrepreneur in Spain.
 - An entrepreneurial activity will be deemed to be any activity that is innovative and/or of special economic interest to Spain and with respect to which a favorable report has been issued by Empresa Nacional de Innovación, S.A. (ENISA).
 - The following will be taken into account when assessing the entrepreneurial and business activity: (i) the professional background of the applicant and their involvement in the project, (ii) the business plan, which will include a description of the project, the product or service to be developed, and its financing, including the required investment and potential sources of financing, and (iii) the elements that generate added value for the Spanish economy, innovation or investment opportunities.

- Highly qualified professionals: for companies that need to hire foreign professionals in Spain who are graduates or

postgraduates of renowned universities and business schools, holders of intermediate or advanced vocational training qualifications, or experts with at least three years of comparable professional experience.

- For training, research, development and innovation activities: for foreigners looking to pursue training, research, development and innovation activities at public entities in the following cases:
 - The research personnel referred to in Article 13 and Additional Provision no. 1 of Science, Technology and Innovation Law 14/2011, of June 1, 2011.
 - Scientific and technical personnel performing scientific, development and technological innovation work at Spanish businesses or R&D&I centers established in Spain.
 - Researchers taken on under an agreement by public or private research bodies.
 - Lecturers hired by universities or higher education and research centers, or business schools established in Spain.
- For intra-company transfers: for foreigners who transfer to Spain under a labor or professional relationship or for professional training reasons, within a company or group of companies established in Spain or in another country.

⁷ <https://prie.comercio.gob.es/es-es/Paginas/index.aspx>

⁸ *** We refer to chapter 2, section 3 on the Tax Identification Number (NIF) and Foreigner Identity Number (NIE) regarding the procedure for obtaining a NIF for directors not resident in Spain***).

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- For digital nomads: in the case of international teleworkers.
 - Allows holders to stay in Spain to work or provide professional services remotely for companies located outside of the country, solely through the use of IT, electronic and telecommunications systems and means.
 - Where the holder is an employee, they may only work for companies located outside of Spain.
 - Where the holder provides professional services, they may work for a company located in Spain, provided such work does not exceed 20% of their total professional activity.

13. Social security system⁹



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13.1 INTRODUCTION

As a general rule, all employers, their employees, self-employed workers, members of manufacturing cooperatives, domestic personnel, military personnel and civil servants who reside and/or perform their duties in Spain are required to be registered with, and pay contributions to, the Spanish social security system (except in specific cases of temporary secondments of employees, as indicated in [section 11.2 above](#)).

There are different contribution programs under the Spanish social security system:

- a) General social security program.
 - Artists.
 - Railroad workers.
 - Sales representatives.
 - Bullfighting professionals.
 - Professional soccer players and other professional sportsmen and women.
 - Agricultural workers.
 - Domestic personnel.
- c) Special social security programs for:
 - Seamen.
 - Self-employed workers.
 - Civil servants and military personnel.
 - Coal miners.
 - Students.

Classification under these programs depends on the nature, conditions and characteristics of the activities carried on in Spain.

As a general rule, employers and their employees will be subject to the general social security program.

13.2 BASIC ASPECTS OF THE GENERAL SOCIAL SECURITY PROGRAM

In those cases in which the employees or employers are subjected to the General Social Security program, social security contributions are paid partly by the employer and partly by the employee. Personnel are classified under a number of professional and job categories for the purposes of determining their social security contributions. Each category has a maximum and minimum contribution base, which are generally reviewed on a yearly basis. Employees whose total compensation exceeds the maximum base, or does not reach the minimum base, must bring their contributions into line with the contribution base for their respective category.

For 2025, the maximum contribution base will be €4,909.50 per month for all professional categories and groups. Therefore, the situation for 2024 under the general social security program (applicable to the great majority of workers) is as follows:

CATEGORY	MINIMUM BASE (€/DAY)	MAXIMUM BASE (€/DAY)
Engineers and graduates	1,929.00	4,909.50
Technical engineers and assistants	1,599.60	4,909.50
Clerical and workshop supervisors	1,391.70	4,909.50
Unqualified assistants	1,381.20	4,909.50
Clerical officers	1,381.20	4,909.50
Messengers	1,381.20	4,909.50
Clerical assistants	1,381.20	4,909.50

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⁹ <https://www.seg-social.es/wps/portal/wss/internet/Inicio?changeLanguage=en>

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CATEGORY	MINIMUM BASE (€/DAY)	MAXIMUM BASE (€/DAY)
Class 1 and class 2 skilled workers	46.04	163.65
Class 3 skilled workers and specialists	46.04	163.65
Laborers	46.04	163.65
Workers under 18 years of age	46.04	163.65

The contribution rates applicable to employers and employees under the general social security program in 2025 are as follows:

	EMPLOYER (%)	EMPLOYEE (%)	TOTAL (%)
General contingencies	23.6	4.7	28.3
Unemployment			
• General rule	5.50	1.55	7.05
• Fixed-term contracts (full-time and part-time)	6.7	1.6	8.3
Professional training	0.6	0.1	0.7
Wage Guarantee Fund	0.2	-	0.2
Intergenerational fairness mechanism (MEI)	0.67	0.13	0.8
Total general rule	30.57	6.48	37.05
Total fixed-term contracts	31.77	6.53	38.3

In addition to the above, the amount corresponding to the solidarity quota must be taken into account. The solidarity quota is a new contribution applicable only to salaries above the maximum base. Therefore, it is applied above €4,909.51 progressively. The contribution rates are as follows:

- 0.92% to the part of the remuneration between €4,909.51 and €5,400.45, with 0.77% being paid by the company and 0.15% being paid by the worker.

- 1% to the part of the remuneration between €5,400.46 and €7,364.25, with 0.83% being paid by the company and 0.17% being paid by the worker.
- 1.17% to the part of the remuneration that exceeds €7,364.25, with 0.98% being borne by the company and 0.19% by the worker.

The total employer contribution rate is increased by additional percentages relating to the occupational accident and disease contingencies provided for in the State Budget Law which will depend, as a general rule, on the activity of the company, although a common percentage will be applied across the board in the case of some occupations or situations.

Employers deduct the employees' portion of contributions from their paychecks and pay them over, together with the employer's portion of contributions, to the social security authorities. Similarly, following the above-mentioned Royal Decree-Law 16/2013 of December 2013, employers must notify the Social Security General Treasury in each settlement period of the amount of all the remuneration items paid to their employees, irrespective of whether or not they are included in the social security contribution base and even if single bases are applicable.

Included below are three practical examples for calculating the social security contribution for general contingencies payable by employers for workers subject to the general social security program.

Case 1: A person works as a technical engineer for a company under a full-time indefinite-term contract and receives a salary of €16,576 per year.

- Data used to calculate the contribution amount:
 - The contribution base to be used will be the minimum for technical engineers, i.e., €1,599.60 per month, given that the monthly salary received by the worker is lower than this amount.

- The contribution rate applicable to the above amount will be 30.57% for the employer and 6.48% for the worker, bearing in mind that the contract is indefinite-term.

- Monthly contribution (nonoccupational contingencies):

	BASE (€)	CONTRIBUTION RATE (%)	MONTHLY CONTRIBUTION (€)
Employer	1,599.60	30.57	489
Worker	1,599.60	6.48	103.65
			592.65

Case 2: A person works as a technical engineer for a company under a full-time fixed-term contract and receives a salary of €24,996 per year.

- Data used to calculate the contribution amount:
 - The contribution base to be used will be the monthly salary received by the worker, i.e., €2,083.
 - The contribution rate applicable to the aforesaid amount will be 31.77% for the employer and 6.53% for the worker, bearing in mind that the contract is fixed-term.

- Monthly contribution (nonoccupational contingencies):

	BASE (€)	CONTRIBUTION RATE (%)	MONTHLY CONTRIBUTION (€)
Employer	2,083.00	31.77	661.77
Worker	2,083.00	6.53	136.02
			797.79

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Case 3: A person with the job category “graduate” (*licenciado*) works for a company under a part-time indefinite-term contract and receives a salary of €61,543.80 per year.

- Data used to calculate the contribution amount:
 - i. The contribution base to be used will be the maximum for graduates, i.e., €4,909.50 per month, given that the monthly salary of the worker is higher than this amount.
 - ii. The contribution rate applicable to the aforesaid amount will be 30.57% for the employer 6.48% for the employee, bearing mind that the contract is indefinite-term.
- Monthly contribution (nonoccupational contingencies):

	BASE (€)	CONTRIBUTION RATE (%)	MONTHLY CONTRIBUTION (€)
Employer	4,909.50	30.57	1,500.83
Worker	4,909.50	6.48	318.41
			1,818.97

- In addition, the solidarity quota would be applied because the remuneration is higher than the maximum base, which would be as follows:

	BASE (€)	CONTRIBUTION RATE (%)	MONTHLY SOLIDARITY QUOTA (€)
Employer	219.08 (5,128.58-4,909.50)	0.77	1.69
Worker	219.08 (5,128.58-4,909.50)	0.15	0.33
			2.02

In all cases, the employer must also contribute for professional contingencies at the premium rates stipulated in additional provision four of Law 42/2006, of December 28, 2007. The resulting amounts are borne exclusively by the employer.

13.3 APPLICABLE PROGRAM TO ADMINISTRATORS OR MEMBERS OF THE BOARD OF DIRECTORS

The administrators or members of the Board of Directors of a company could be included in the General Program (RGSS), in the General Program as “assimilated” or in the Special Program for Self-Employed Workers (RETA).

The following table explains the different scenarios:

COLLECTIVE	CONDITIONS AND CHARACTERISTICS	CONTRIBUTION SCHEME	OBSERVATIONS
Administrators or members of the Board of Directors who receive compensation	If the worker has the effective control of the company.	RETA.	It is presumed, unless there is proof to the contrary, that the worker has the effective control of the company when any of the following circumstances exists: i. At least half the company capital for which they render their services is distributed amongst partners in the company with whom they live and with whom they are linked by marriage or by blood, affinity or adoption family ties of up to a second degree. ii. Their participation in the company capital is equal to or greater than one third. iii. Their participation in the company capital is equal to or greater than one fourth, if they have been attributed with functions of direction and management of the company.
	They are employees of the company and the administrator post does mean carrying out the functions of direction and management.	RGSS.	
	If the worker has not the effective control of the company.	RGSS as assimilated to employees (excluding unemployment protection and that of the Salary Guarantee Fund.	
	The post as administrator means carrying out the functions of direction and management.	Non-affiliation in the Social Security system.	

These rules apply as long as the administrator or member of the Board of Directors resides in Spain. In case the administrator resides abroad, the Spanish Social Security would not be applicable.

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Companies are obliged to respect equal treatment and opportunities in the workplace, for which they must adopt measures aimed at avoiding any type of labor discrimination between women and men.

Companies with 50 or more workers need to implement and apply an equality plan, with the scope and content established by law, which must be negotiated with the legal representation of the workers.

Equality plans must contain an ordered set of evaluable measures aimed at removing obstacles that impede or hinder the effective equality of women and men. Before establishing the plan, a negotiated diagnosis should be drawn up, where appropriate, with the legal representation of the workers, which will contain at least the following subjects:

- Selection and contracting process.
- Professional classification.
- Training.
- Professional promotion.
- Working conditions, including the salary audit between women and men.
- Co-responsible exercise of the rights of personal, family and work life.
- Underrepresentation of women.
- Remuneration.
- Prevention of sexual harassment and because of sex.

In addition, companies must keep a record with the average values of salaries, salary supplements and extra-salary perceptions, disaggregated by sex, professional groups, professional categories or positions of equal value. Employees have the right to access, through the legal representation of workers in the company, the salary record of their company. Where there are no

workers' representatives, the employees can only have access to the percentage differences that exist between the averaged remunerations of men and women.

When in a company with at least fifty workers, the average remuneration for workers of one sex is higher than the other by 25% or more, taking the whole of the payroll or the average of the salaries paid, the employer must include in the salary record a justification that said difference responds to reasons not related to the sex of the workers. The wage registry has certain specialties in companies that have an equality plan and, thus, carry out a pay audit (that requires the evaluation of positions and the establishment of a plan to correct the remuneration differences).

The validity period of equality plans may not exceed four years and they are subject to compulsory registration in the Public Register of Collective Agreements and Collective Bargaining Agreements.

Equally, Spain has passed Law 15/2022, of July 12, 2022, the comprehensive law for equal treatment and non-discrimination, which recognizes the right to equal treatment and non-discrimination of individuals regardless of their nationality, whether they are minors or of age, or whether or not they have legal residence. It stipulates that nobody may be discriminated against on the basis of birth, racial or ethnic origin, sex, religion, beliefs or opinions, age, disability, sexual orientation or identity, gender expression, ill health or a medical condition, serological status and/or genetic predisposition towards health problems and disorders, language, socioeconomic status, or any other personal or social condition.

Law 4/2023, of February 28, 2023, for real and actual equality of transgender people and to guarantee the rights of LGBTI people

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has also recently been published, which contains the obligation to have a planned set of measures and resources to achieve real and effective equality for LGTBI people, including a protocol for dealing with harassment or violence against LGTBI people.

The obligation has been regulated by Royal Decree 1026/2024, of 8 October, which develops the planned set of measures for equality and non-discrimination of LGTBI people in companies, which frames the negotiation of the protocol and the set of measures in collective bargaining (company or sectoral agreement).

15. Occupational risk prevention



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Employers must guarantee the health and safety of their employees but without merely complying with legislation and remedying risk situations, meaning that they have an obligation to perform risk assessments, adopt measures in emergency situations, provide protective equipment and to guarantee the health of employees, including pregnant or breastfeeding women (ensuring they do not perform tasks which could put them or their unborn child/baby at risk).

All employers must have a risk prevention service to provide advice and assistance in prevention tasks and employers must appoint one or more workers to take charge of these activities. At companies with less than 10 workers, this service may be provided directly by the employer, provided that it habitually pursues its business at the workplace and has the necessary capacity to do so. An external risk prevention service may also be used in certain cases.

Failure to comply with occupational risk prevention obligations may give rise administrative, labor, criminal and civil liability.

GARRIGUES



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Spanish Intellectual Property (IP) legislation is consistent with other EU Member States' IP laws. Spain has ratified the most relevant international treaties in this field, which entails that non-Spanish nationals may obtain protection of their IP rights in Spain, and that Spanish nationals may obtain such protection in virtually every other country in the world.

This chapter describes the different ways existing to protect IP rights (trademarks, patents, utility models, plant varieties, industrial designs, topographies of semiconductor products, trade secrets, copyright and computer software) in Spain, also focusing on the legal remedies available against IP infringement.

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1.1 WHAT IS INTELLECTUAL PROPERTY?

Intellectual property (IP) guarantees businesses protection of their intangible assets through the legal recognition of exclusive rights in such assets (copyrights in creative works and industrial property rights in industrial assets, such as trademarks, patents, designs etc.). Before launching in a new market, the company must take the necessary steps to ensure that its intangible assets are correctly managed and protected.

1.2 WHAT IS THE REGISTRATION PRINCIPLE?

In Spain, registration at the relevant industrial property office is a prerequisite to obtain protection of intellectual property (as we will see, this principle does not govern copyright or trade secrets).

Spain, unlike the United States for example, follows the “first-to-file” system, which means that the first person to apply for registration

	TRADE SECRETS	TRADEMARKS ®	COPYRIGHT ©	PATENTS-UTILITY MODELS	SPANISH DESIGNS	COMMUNITY DESIGNS
What is protected	Information.	Identifiers.	Creations.	Inventions.	Designs.	Designs.
Duration	It is a <i>de facto</i> right, which lasts indefinitely, as long as the information remains secret.	10 years, renewable indefinitely.	70 years from the death of the author.	Patents: 20 years maximum, renewable annually. Utility models: 10 years maximum, renewable annually.	5 years extendible up to 25 years.	Unregistered: 3 years Registered: 5 years, renewable for up to 25 years.
Protection requirements	(i) Secrecy and confidentiality (ii) it has commercial value because it is secret and (iii) reasonable steps must be adopted by its holder to keep it secret.	Distinctiveness and use.	Originality.	Novelty, useful and non-obvious subject matter.	Novelty and individual character.	Novelty and individual character.

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will obtain the relevant rights. Use does not afford any rights against third parties except in the case of well-known marks.

Registration entails payment of the official fees, whose amount will depend on circumstances such as the specific type of right applied for, the number of classes, territory, etc.¹

1.3 WHAT IS THE TERRITORIALITY PRINCIPLE?

The principle of territoriality entails that the protection conferred by intellectual property rights is only available, in principle, in the country or countries in which registration has been obtained (or in the case of copyright, in the country where protection is sought).

Thus, the registration of a trademark or a patent in the country of origin by the owner does not confer automatic protection in other countries. Consequently, protection must be sought through additional registrations in each relevant country.

1.4 HOW TO OVERCOME THE LIMITS OF TERRITORIALITY?

In order to make it easier to protect intellectual property rights in different territories, Spain has ratified the main international conventions in this area.

With rare exceptions, international intellectual property treaties allow non-Spanish nationals to protect their rights in Spain, and Spanish nationals to enjoy protection in most other countries.

Spain's membership of the European Union has also favored Spanish legislation to be in line with that of the rest of EU Member States.

1.5 WHAT ARE THE MOST IMPORTANT CONVENTIONS SIGNED BY SPAIN?

INTERNATIONAL CONVENTION	INTELLECTUAL PROPERTY RIGHTS REGULATED	ORGANIZATION
Agreement on Trade-related aspects of intellectual property rights (TRIPS)	Intellectual Property	World Trade Organization
Paris Convention	Industrial Property	World Intellectual Property Organization (WIPO)
Patent Cooperation Treaty (PCT)	Patents	World Intellectual Property Organization
European Patent Convention	Patents	European Patent Organization
Madrid Agreement	Trademarks	World Intellectual Property Organization
Madrid Protocol	Trademarks	World Intellectual Property Organization
Berne Convention for the Protection of Literary and Artistic Works	Copyright	World Intellectual Property Organization

1.6 CAN INTELLECTUAL PROPERTY RIGHTS BE MARKETED?

Intellectual property rights are assets, and may therefore be assigned, encumbered or transferred by any means provided by law.

Licenses are the contracts most frequently used in this area, through which a third party is authorized to use the rights granted in exchange for payment.

1.7 WHAT CHANGES HAVE BEEN IMPLEMENTED IN THE SPANISH INTELLECTUAL PROPERTY LEGISLATION?

Since January 14, 2023, the Spanish Patent and Trademark Office (SPTO) is competent to declare the invalidity or revocation of a Spanish or international trademark with effects in Spain (or of a national trade name). Therefore, only counterclaims may be filed before the commercial courts within a trademark infringement proceeding.

¹ Annex I to this chapter includes a list with links to the official fees corresponding to the different types of rights.

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2.1 WHAT IS A TRADEMARK?

A trademark is an exclusive right in a distinctive sign, the main function of which is to distinguish the goods and services of one undertaking from those of its competitors. It also plays an important role in advertising and goodwill consolidation.

2.2 WHAT FACTORS NEED TO BE BORNE IN MIND TO REGISTER A TRADEMARK IN SPAIN?

1. That it is free to be used.
2. That it is free to be registered.
3. That it has no negative connotations, i.e. it is commercially suitable.

Before marketing goods or services, it is advisable to verify that no identical or similar mark has been registered previously for identical or similar goods or services, since this could prevent the use of the sign in the relevant territory.

After confirming that no prior third-party rights are being infringed, one of the various procedures for obtaining registration should be chosen in order to secure exclusive rights and prevent the mark from being used by other companies. Obtaining registration also involves assessing that the mark is not generic, deceptive, descriptive or contrary to public policy or accepted principles of morality.

2.3 WHAT ARE THE WAYS OF REGISTERING A MARK IN SPAIN?

- National system.
- International system: [Madrid Agreement/Madrid Protocol](#).
- European Union Trademark.

2.4 HOW DO YOU OBTAIN A SPANISH TRADEMARK?

By filing an application at the [SPTO](#).

The application process takes approximately between 6 and 15 months.

Spanish trademarks may consist of words, names or surnames, signatures, numbers and number combinations, slogans, drawings, sounds, colors and three-dimensional shapes, including packaging.

2.5 GROUNDS FOR REFUSAL OF A TRADEMARK APPLICATION

The SPTO only examines ex officio whether the trademark falls within [absolute grounds for refusal](#) (mainly, that the mark is not generic, misleading, descriptive or contrary to public policy), but does not carry out an examination of [relative grounds for refusal](#), that is, the existence of identical or similar earlier marks registered for identical or similar goods, likely to be confused with the new trademark. Relative grounds for refusal are only examined where the owners of prior marks file an opposition against the trademark application.

In short, the SPTO will not refuse trademarks *ex officio* based on relative grounds and instead performs a computer search to notify the holders of prior identical or similar signs, for informative purposes only, of the application, in case they are interested in filing an opposition.

2.6 HOW LONG DOES SPANISH TRADEMARK REGISTRATION LAST?

Trademark registration is valid for **10 years** and can be renewed indefinitely for further 10-year period. However, the registration

may lapse or be revoked if the trademark is not renewed, if it is not effectively used during an uninterrupted 5-year period, or if it becomes generic or deceptive in connection with the goods and/or services it covers.

2.7 WHAT DO THE AMENDMENTS ON THE SPANISH TRADEMARK LAW ENTAIL?

On January 14, 2019, Royal Decree-Law 23/2018 entered into force, transposing Directive 2015/2436 on trademarks and amending certain aspects of Spanish trademark law and its implementing regulation.

Among the novelties introduced, the following can be highlighted:

- **Competence of the SPTO** as of January 14, 2023, to declare the invalidity or revocation of national trademarks, trade names, or international marks with effects in Spain. Therefore, only counterclaims may be filed before the commercial courts within a trademark infringement proceeding.
- **Administrative procedure.** The invalidity or revocation procedure is now an administrative procedure, and no hearings before the SPTO have been provided.
- **Appeals against SPTO decisions.** Resolutions of the SPTO can be appealed before the Office itself. SPTO resolutions that conclude the administrative procedure can be appealed before the specialized panels of the provincial courts of Madrid, Barcelona, Valencia, Granada, La Coruña, Bilbao, and Las Palmas de Gran Canaria, or alternatively, the provincial court of Madrid. This change applies not only to resolutions on invalidity and revocation but also to any SPTO resolution

regarding industrial property rights (i.e., registration or refusal of trademarks, oppositions, and patents).

- **Removal of the graphic representation** requirement in the concept of a trademark, allowing the registration of non-conventional marks (i.e., olfactory marks).
- **Possibility to request the accreditation** of prior trademark use in opposition, invalidity, or revocation proceedings before the SPTO.
- **End of the so-called ‘registration immunity’.** In other words, merely being the owner of a registered trademark does not imply that its use cannot infringe earlier industrial property rights owned by a third party.
- **Exercise of infringement actions by the licensee.** The licensee may only exercise actions for trademark infringement with the consent of the owner. However, the exclusive licensee may exercise the actions when the owner, having been requested, has not exercised them on their own behalf.

2.8 WHAT IS AN INTERNATIONAL TRADEMARK?

An international trademark is linked to the Madrid system for the international registration of trademarks “Madrid System”, comprising the [Madrid Agreement of 1891](#) and the [Madrid Protocol of 1989](#), and administered by the World Intellectual Property Organization ([WIPO](#)), with headquarters in Geneva.

Although known as “international trademarks”, this is **not strictly speaking** the case since the Madrid system unifies

administrative procedures at a single Office, enabling various national registrations to be obtained, but does not offer unitary worldwide protection.

2.9 HOW TO OBTAIN AN INTERNATIONAL TRADEMARK?

The applicant must designate the countries where it wishes to obtain protection from among those countries that have ratified either the Agreement or the Protocol. WIPO subsequently proceeds to notify the national Offices of the designated countries and if no oppositions are filed pursuant to the national laws of each of the countries concerned within 1 year (pursuant to the Agreement) or 18 months (pursuant to the Protocol), the international trademark will be registered.

Since April 1, 2004, international trademark applications filed under the Madrid system for the international registration of marks may be processed in Spanish.

The application process usually takes between 12 and 20 months.

2.10 WHO CAN FILE AN INTERNATIONAL TRADEMARK?

International trademarks can only be filed by natural or legal persons who have ties to a State that is party to one or both of the treaties (due to nationality, domicile, or real and effective establishment) and may, on the basis of an application filed at the Trademark Office of such State, obtain an international registration effective in all or some of the countries of the Madrid Union.



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2.11 WHAT IS AN EU TRADEMARK²?

An EU trademark confers its proprietor the right to prevent unauthorized use of the trademark by third parties throughout the entire European Union, as well as the use of identical or similar signs that could generate a likelihood of confusion among consumers.

Therefore, an undertaking that seeks to market its products or provide its services in Europe, does not have to file an application in each EU Member State, but rather is able to obtain one sole EU registration that automatically gives it exclusive rights in all of them.

Another important advantage of the EU trademark is that no evidence of use is required to obtain registration, and use of a mark in a relevant part of the EU is sufficient to maintain its validity.

The EU trademark does not replace trademark rights in each Member State. The national, international and EU trademark systems coexist and, in some cases, complement each other.

EU trademark infringement actions are brought before EU trademark courts, which are national courts designated by each of the Member States. In Spain, the function of EU trademark court corresponds exclusively to the Commercial Courts of Alicante and, at the appeal stage, to the Eighth Section of the Court of Appeals of Alicante.

2.12 WHO CAN FILE AN EU TRADEMARK?

Any physical or legal person, regardless of its domicile or nationality.

2.13 HOW TO OBTAIN AN EU TRADEMARK?

The EU trademark is administered by the **European Union Intellectual Property Office (EUIPO)**, which is based in Alicante,

Spain. The application may be submitted in any of the official languages of the European Union, although the applicant is required to designate a second language out of the EUIPO's five official languages, (German, Spanish, English, Italian and French) which may be used as the language of opposition, revocation or invalidity proceedings.

The application process takes approximately 5 months if there are no oppositions or *ex officio* objections.

2.14 WHAT CHECKS DOES THE EUIPO CONDUCT WHEN IT RECEIVES THE APPLICATION?

The EUIPO only examines marks on **absolute grounds for refusal** (i.e. it mainly verifies that the mark is not descriptive, generic or deceptive in any of the European Union countries).

However, it does not examine applications *ex-officio* on **relative grounds for refusal**, (i.e. it will not refuse registration on account of the existence of any earlier trademark registrations in the European Union), but rather it is up to the owners of these registrations to file an opposition against such marks at the EUIPO.

2.15 EU AND INTERNATIONAL TRADEMARK?

The European Union's accession to the Madrid Protocol connects the registration procedure of an EU trademark application to the [International trademark registration system](#). Thus, any physical or legal person may file an application at the EUIPO not just to protect his mark as an EU trademark but also as an international trademark in the Member States of the Madrid Protocol.

2.16 HOW LONG DOES AN EU TRADEMARK LAST?

10 years. This period can be renewed for further 10-year period subject to payment of the appropriate fees.

² Previously designated as Community Trademark.



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3. Protection of inventions in Spain

Inventions may be protected in Spanish law through patents and utility models.

3.1 WHAT IS A PATENT?

Patents are exclusive rights granted by the State to the inventor in his invention for a specific term **(20 years)** on the understanding that once this period has expired, the invention will enter the public domain. Thus, society benefits from the technical advantages provided by the invention.

3.2 HOW CAN YOU REGISTER A PATENT IN SPAIN?

In addition to filing a patent application at the [SPTO](#), regional registration systems are also available. Such systems allow the applicant to obtain protection for the invention in one or more countries and each country determines whether to protect the patent in its territory pursuant to applicable legislation.

The application process before the SPTO can take a minimum of 30 months.

The patent owner may exploit the invention and prevent third parties from exploiting, marketing, or launching it in the market without consent. While the patent is in force, third parties may only exploit the invention if the owner has granted a license.

3.3 WHAT KINDS OF INVENTIONS ARE PATENTABLE?

In order for an invention to be patentable, it must be new, involve inventive step and be capable of industrial application. Consequently, the three main requirements to obtain a patent are as follows:

- a) Absolute novelty.
- b) Inventive step.
- c) Industrial application.

Scientific discoveries or theories, mathematical methods, literary, scientific, artistic works and any other aesthetic creations, rules and methods of performing a mental act, playing a game or doing business are not considered patentable. Neither is it possible to obtain a patent for inventions that are contrary to public policy, plant varieties (which have their own special legislation) animal breeds, essentially biological processes for the production of plants or animals and the human body.

3.4 ARE BIO-TECHNOLOGICAL INVENTIONS PATENTABLE IN SPAIN?

The Spanish Patents Law includes the legal protection of bio-technological inventions, although clear restrictions are established based on ethics and public policy.



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3.5 ARE PHARMACEUTICAL PRODUCTS PATENTABLE IN SPAIN?

In Spain both product and process patents are admitted and pharmaceutical products have been patentable since 1992.

Indeed, the inclusion of the “Bolar clause” or “Bolar exemption” in the Spanish Patent Law refers precisely to pharmaceutical products. According to this clause performing within certain time periods the necessary studies, tests and trials to obtain authorization for generic drugs does not constitute patent infringement.

Patents are granted for a period of 20 years from the date on which the application is filed. However, a maintenance fee, which is subject to a gradual annual increase, is due yearly.

Once the 20-year period has lapsed, the subject matter of the patent passes into the public domain and may be used by any third party. The Complementary Protection Certificate for pharmaceutical and phytosanitary products, which has been in force since 1998, extends the patent by up to a maximum of 5 years for the time it took to obtain the relevant administrative authorization, which is essential in order to market such products.

3.6 WHAT IS A EUROPEAN PATENT?

Since Spain's ratification of the [European Patent Convention](#) (EPC) in 1973, Spain may be designated with a European patent application. European patents are administered by the European Patent Office, based in Munich. Via a single procedure and applying legislation in common (the European Patent Convention), this system allows the registration of a bundle of national patents enforceable in the countries designated by the applicant.

3.7 WHAT IS A UNITARY PATENT?

The expected European patent system with unitary effects will, as June 1, 2023, grant uniform protection and will have the same effects in all Member States participating in the system. This is intended to increase legal certainty and reduce the costs of patent protection, thereby incentivizing investment in R&D and innovation.

Following Germany's ratification on February 17, 2023, the transitional measures set out in the Unified Patent Court Agreement (UPC Agreement) and the Unitary Patent Regulation 1257/2012 have been activated. Thus, as March 1, 2023, the so-called “sunrise period” has started, which allows patent holders to apply for an “opt-out”, avoiding the exclusive jurisdiction of the Unified Patent Court.

A European patent with unitary effect may only be limited, transferred, revoked or lapse in respect of all the participating Member States, but it may be licensed for all or some of those States.

Once the unitary patent system enters into force, European patents with unitary effect can only be limited, transferred, revoked or lapse in respect of all participating Member States. However, it will be possible to license to part of these States, without the need to include all signatories of the Unitary System.

So far, Spain, as well as Poland and Croatia, remain outside the system.

3.8 WHAT IS THE PCT?

Spain has ratified the [Patent Cooperation Treaty](#) (PCT), which unifies the initial filing of applications and the performance of search reports necessary to determine the novelty of the invention and the

inventive step, with a view to reducing costs and simplifying the grant of a patent. However, as opposed to the European patent, registration is granted by each of the relevant national Offices.

3.9 WHAT IS A UTILITY MODEL?

A utility model is a form of protection for inventions which although new and with inventive step, only give the subject matter a configuration, structure, or constitution that results in an advantage, appreciable for its use or manufacture, but with a lower standard of inventiveness.

A lower standard of inventiveness is therefore required for utility models than for patents. They are granted for a non-extendable period of 10 years and therefore have a shorter term than patents. This system of protection is particularly suitable for protecting tools, objects and devices used for practical purposes. The application process usually takes between 8 and 14 months.

4. Plant varieties

4.1 WHAT ARE PLANT VARIETIES?

Plant varieties constitute a category of intellectual property with a legal status similar to that of patents. A plant variety is a group of plants that are distinguishable from any other group since they have specific features that remain unchanged after repeated propagation processes and can propagate without changing.

In Spain, applications for plant varieties are processed by the autonomous community authorities.

Finally, the Spanish Criminal Code expressly includes the counterfeiting of plant varieties, the unauthorized propagation or multiplication of a plant variety, and the unauthorized use of the name of said varieties as criminal offences, which are punishable with fines, special disqualification and even prison.



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5.1 WHAT ARE INDUSTRIAL DESIGNS?

Industrial designs are industrial property rights that protect the aesthetic appearance of goods rather than their functional novelty. Therefore, the owner of an industrial design has exclusive rights in the appearance of the whole or part of a product (in particular, the lines, contours, colors, shape, texture or materials of the product itself or its ornamentation), if it is novel and has individual character.

5.2 WHAT IS NOVELTY AND INDIVIDUAL CHARACTER?

A design is considered to meet the **novelty** requirement if no other identical design has been made available to the public beforehand. Two designs are deemed to be identical where they only differ in irrelevant aspects.

As far as **individual character** is concerned, a design is considered to have individual character if the overall impression it produces on the informed user differs from the overall impression produced by any design that has been made available to the public beforehand.

5.3 HOW CAN YOU OBTAIN PROTECTION IN A DESIGN?

At present there are 3 procedures through which designs may be protected:

- Spanish system.
- Community designs.
- International system.

5.4 HOW DO YOU OBTAIN A SPANISH DESIGN?

Industrial designs are filed at the [SPTO](#). The application process can take approximately between 6 and 10 months.

The most relevant feature includes the so-called “grace period”, which consists of a 12-month period during which the disclosure of the design by its author or a related third party does not jeopardize the possibility of registration by its lawful owner. The aim of this grace period is to grant the owner of the design a term before registration without such term destroying its novelty.

Once the design has been granted, the owner is entitled to use it and to obtain relief should any third party use it after its grant has been published.

5.5 HOW LONG DOES A SPANISH DESIGN LAST?

Registration is granted for a period of 5 years from the filing date, renewable for further 5-year period up to a maximum of 25 years.

5.6 HOW DO YOU OBTAIN A COMMUNITY DESIGN?

Community designs are protected in the European Union by [Council Regulation 6/2002³](#).

The essential feature of the Community design system is the recognition of exclusive rights throughout the EU, via a dual system



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of protection: registered and unregistered designs. In both cases, the design must meet the requirements of novelty and individual character.

A registered community design is filed at the OHIM. The application process is very fast, it can take 6 days, but there is not a fixed term for third parties opposition.

Once granted confers its owner the exclusive right to use and prevent use of said design by unauthorized third parties.

5.7 HOW LONG DOES A COMMUNITY DESIGN LAST?

Registration is granted for a period of 5 years from the filing date, renewable for further 5-year period up to a maximum of 25 years.

5.8 WHAT DOES AN UNREGISTERED COMMUNITY DESIGN CONSIST OF?

An unregistered Community design is a form of protection under Community legislation, through which rights are acquired automatically without the need for filing, simply by disclosing the products to which the design is applied.

Protection of an unregistered Community design is restricted to a period of 3 years from the date on which the design was first made available to the public within the EU. These types of designs are particularly advantageous for those commercial sectors, such as the fashion industry, which produce short-lived designs and in which the 3-year period protection period without the need for registration is sufficient and reasonable.

5.9 HOW DO YOU OBTAIN AN INTERNATIONAL DESIGN?

There is an international registration system consisting of filing the application at the World Intellectual Property Organization ([WIPO](#)), pursuant to the Hague Agreement.

Through this treaty nationals of the contracting states of the Hague Agreement can obtain protection for their designs in all those states by filing those designs — or a graphic reproduction pursuant to WIPO requirements — at WIPO'S headquarters in Geneva.

A single application is sufficient to protect the design in the Member States, subject to the conditions envisaged in each national legislation.

The European Union's accession to the Hague Agreement on January 1, 2008, means that the applicants of an international design may designate the 28 EU Member States with a single application and also base the application for an international design on a community design. This is aimed at simplifying registration procedures, reducing the costs deriving from the international protection of designs and simplifying the management of such rights.

Spanish is one of the working languages of The Hague System, which means on the one hand that it is an excellent tool for the international protection of Spanish companies' designs, and on the other acts as an incentive to attract more Spanish-speaking Member States to the System.

6. Topographies of semiconductor products



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6.1 WHAT ARE TOPOGRAPHIES OF SEMICONDUCTOR PRODUCTS?

Spanish legislation grants a period of protection of 10 years for topographies of semiconductor products, (integrated semi-conductor circuits known as “chips”). The subject-matter of protection is not the integrated circuit itself but the way in which it is physically mounted, that is, the physical arrangement of all its elements.

6.2 HOW DO YOU OBTAIN TOPOGRAPHIES OF SEMICONDUCTOR PRODUCTS?

In order for the [SPTO](#) to grant protection of the semiconductor product, the topography must be the result of the creator's own intellectual efforts and must not be commonplace in the semiconductor industry, that is, the [law](#) requires originality and creativity⁴.

⁴ The governing provisions are to be found in Law 11/1988, the result of the transposition to Spanish law of Directive 87/54/EEC of December 16, 1986.



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7. Copyright

7.1 WHAT IS COPYRIGHT?

Copyright generates various types of rights, economic rights and “moral” rights. Moral rights cannot be waived or assigned, and they entitle the author to decide, inter alia, whether his work is to be published and to demand acknowledgement as author of the work. Consequently, economic or exploitation rights can be traded and transferred to third parties.

All original literary, artistic or scientific works are protected by copyright, in particular, books, music compositions, audiovisual works, projects, plans, graphics, computer programs and databases. The [Copyright Law](#)⁵ also grants related rights to performers, phonogram producers, producers of audiovisual recordings and broadcasting organizations.

7.2 HOW DO YOU OBTAIN COPYRIGHT PROTECTION?

In Spain, copyright protection is automatic, since it exists from the very moment the work is created. However, it is also possible to register the work on the Copyright Register in order to obtain stronger evidence *vis-à-vis* third parties.

The application for registration in the Copyright Registry requires payment of the corresponding fees to the Provincial Registry in question. The time for the Registry to issue a decision is approximately 6 months.

7.3 WHO OWNS THE RIGHTS?

In Spain, the rights are always owned by the author of the work, unless the work was created in the course of an employment relationship, is a collective work or the rights are assigned to a third party.

7.4 HOW LONG DOES COPYRIGHT PROTECTION LAST?

Copyright protection is granted for 70 years from the death of the author, where the author is a natural person. For authors deceased before 7 December 1987, copyright protection shall last 80 years from their death. In those cases, in which the author is a legal person, the term of protection is 70 years from January 1 of the year following that in which the work was lawfully published, or following the year of its creation, if the work has not been published.

⁵ In Spain, copyright is governed by Legislative Royal Decree 1/1996 of April 12, 1996. In addition, Spain is party to the Berne Convention for the Protection of Literary and Artistic Works.

8. Unfair competition

8.1 WHAT DOES UNFAIR COMPETITION CONSIST OF?

Any conduct objectively contrary to good faith is deemed to be unfair. The amendments introduced by Law 29/2009 significantly extend the scope of consumer protection, whereby in relations between businesses or professionals and consumers, there are 2 requirements for behavior to be deemed unfair: that the behavior of the business or professional be contrary to professional diligence and capable of significantly distorting the economic behavior of the average consumer. Intellectual property can often be protected via unfair competition legislation.

8.2 WHAT ACTS ARE DEEMED UNFAIR?

Unfair competition torts include acts of confusion, misleading acts and omissions, aggressive acts, acts of denigration, comparison, imitation, exploitation of a third party's reputation, violation of trade secrets, incitement to breach of contract, infringement of laws relating to discrimination and selling at a loss. The 2009 reform also considers the breach of industry codes of conduct to which businesses have freely adhered, an act of unfair competition.

Unfair competition regulations also include the protection of know-how by deeming unfair the disclosure or exploitation, without the consent of their proprietor, of industrial or business secrets obtained lawfully, in the understanding that they would be kept confidential.

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9. Trade secrets

9.1 WHAT IS A TRADE SECRET?

Although there are many similarities with intellectual property rights, a trade secret does not fall within this category. The intangible asset which is protected is information.

Information relating to any part of the business (including technological, scientific, industrial, commercial, organizational or financial areas), may constitute a trade secret, provided it meets three requirements:

- It must be a secret, meaning that it is not generally known among or readily accessible to people within the circles that normally deal with it.
- It must have commercial value because it is secret.
- Reasonable steps must be adopted by its holder to keep it secret.

The protection of trade secrets is regulated in the [Trade Secrets Law 1/2019, of February 20, 2019 \(TSL\)](#).

9.2 HOW LONG DOES A TRADE SECRET LAST?

Since it is a *de facto* right, it lasts indefinitely, as long as the information remains secret.

9.3 HOW CAN SENSITIVE BUSINESS INFORMATION BE PROTECTED?

Among other measures, it is important that companies have an adequate level of cybersecurity protection, that they implement appropriate confidentiality obligations in their contracts with employees

and third parties (manufacturers, suppliers, distributors, etc.) and that they establish restrictions on staff access to restricted areas where confidential documents are kept.

9.4 WHAT STEPS ARE CONSIDERED UNLAWFUL UNDER THE TRADE SECRETS LAW?

The acquisition of a trade secret without the consent of its holder is considered unlawful when it is carried out by unauthorized access to, appropriation of, or copying of any medium containing the trade secret or from which the trade secret can be deduced or any other conduct which is considered contrary to honest commercial practices.

Additionally, the use or disclosure of a trade secret will be considered unlawful whenever carried out without the consent of the trade secret holder, if the trade secret had been acquired unlawfully or with a breach of a confidentiality or similar duty.

Moreover, the TSL prohibits the production, offering, placing on the market of products that significantly benefit from trade secrets unlawfully acquired.

9.5 IS A TRADE SECRET TRANSFERABLE?

Yes. Like intellectual property rights, trade secrets may be assigned and licensed on an exclusive or non-exclusive basis.

10. Action against infringement of intellectual property rights



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The owner of intellectual property rights may take both civil and criminal action against those that infringe its rights in Spain:

10.1 CIVIL ACTIONS

The procedure for bringing action before the Civil Courts is governed by the Civil Procedure Law, which establishes the ordinary trial as the procedural means for the trademark owner to defend its rights against third parties.

The IP owner whose rights have been infringed may claim:

- The cessation of the infringing acts.
- Damages.
- Seizure of the infringing goods.
- To be awarded the seized objects or their means of production.
- The adoption of necessary steps to prevent the continuation of the infringement.
- Publication of the judgment against the infringer.

The owner of the rights may also seek injunctive relief to ensure the effectiveness of the available actions.

10.2 CRIMINAL ACTIONS

Industrial property rights are also covered by criminal law.

In addition to activities related to marketing, use, manufacture and imitation of inventions and distinctive signs without the IP owner's consent, the Criminal Code also includes the counterfeiting of plant varieties and parallel imports.

Another aspect that should be underscored is the extension of the grounds for determining that an offense is particularly serious. In this regard the Criminal Code establishes sterner penalties consisting of imprisonment (from 1 to 4 years), a fine (from twelve to twenty-four months) and special disqualification from practicing the profession related to the offence committed (for a period ranging from two to 5 years).

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- i. [National trademark.](#)
- ii. [International trademark.](#)
- iii. [EU trademark.](#)

B. Patents and Utility Models.

- i. [National Patent and Utility Model.](#)
- ii. [European Patent.](#)
- iii. [PCT.](#)

C. Industrial Designs.

- i. [National Design.](#)
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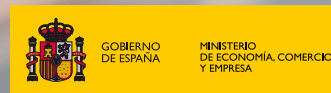
APPENDIX I. Reference to official fees for 2025

APPENDIX II. Intellectual property conventions

Spain has ratified the following intellectual property conventions:

- i. [Paris Convention for the Protection of Industrial Property.](#)
- ii. [Agreement on Trade-Related Aspects of Intellectual Property Rights.](#)
- iii. [Madrid Agreement Concerning the International Registration of Marks.](#)
- iv. [Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks.](#)
- v. [Council Regulation 40/94, on the Community Trademark.](#)
- vi. [Patent Cooperation Treaty, European Patent Convention Regulations.](#)
- vii. [Hague Agreement Concerning the International Registration of Industrial Designs.](#)
- viii. [Berne Convention for the Protection of literary and Artistic Works.](#)

GARRIGUES



ICEX

INVEST IN
SPAIN



GUIDE TO
BUSINESS
IN SPAIN
2025

Legal
framework and
tax implications
of e-commerce
in Spain

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Defining regulatory principles

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Tax implications of e-commerce in Spain

Legal framework and tax implications of e-commerce in Spain

The main legal and tax issues to take into consideration regarding e-commerce, digital economy and privacy are discussed in this chapter.

In Spain, as in other EU countries, e-commerce-related activities are currently the object of specific regulation. In transactions involving e-commerce, regard should be had to the legislation on distance sales, advertising, standard contract terms, data protection, intellectual and industrial property, and e-commerce and information society services, among others. Apart from these specific laws, it is also necessary to examine the general legislation on civil and commercial contracts and, when e-commerce is addressed to consumers (B2C), the specific regulation on consumer's

protection should also be considered. Additionally, matters such as cybersecurity or electronic identification (electronic signature) have increasing importance.

From the tax perspective, e-commerce raises issues, which would require a consensus to be reached on measures to be adopted at regional and even global level. Fair progress has been made in reaching a consensus on the VAT treatment of on-line e-commerce. As regards the Tax on Certain Digital Services, although Spain has created this tax, we will have to wait for a coordinated, uniform interpretation of the various criteria determining the tax treatment of e-commerce at the international level.

Legal framework and tax implications of e-commerce in Spain



1. Introduction

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E-commerce-related activities are regulated by diverse rules contained in Spanish legislation. Moreover, a fundamental point to bear in mind when undertaking any initiative in the area of electronic transactions is that the applicable legislation varies depending on the potential recipient of the related offer. Consequently, there is greater leeway for the parties to agree if the transaction takes place between companies (business to business, B2B) than if the commercial dealings are between a company and a private consumer as the final recipient (business to consumer, B2C), since, among others, consumer protection legislation or data protection legislation will apply in the latter case.

In the tax sphere, e-commerce raises issues that are difficult to address from a purely Spanish perspective. Perhaps for that reason, the Spanish tax authorities have not seen fit to adopt unilateral measures, preferring to wait until a consensus is reached on the measures to be adopted regionally and even worldwide.



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Legal framework and tax implications of e-commerce in Spain

2. Defining regulatory principles



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2.1 CIVIL AND COMMERCIAL LEGISLATION

2.1.1 CIVIL AND COMMERCIAL CODES

Electronic contracts are fully subject to the rules established by the Spanish Civil Code on obligations and contracts and by the Commercial Code.

Electronic contracts are also subject to EC Regulation 593/2008, of June 17, 2008, on the law applicable to contractual obligations (Rome I) which will apply to contractual obligations in the civil and commercial area in situations involving a conflict of laws.

2.1.2 DISTANCE SALES

1. Equally applicable to electronic sales are the rules related to distance sales and other related relevant rules: regarding commercial operations in which the buyer is an undertaking or a businessman, the Act 7/1996 ordering the Retail Trade should be taken into consideration, in particular the chapter regarding Distance Sales, which makes a specific referral to Title III of Book II of the Legislative Royal Decree 1/2007, of 16th of November, approved the Revised General Consumer and User Protection Law and other supplementary laws (TRLGDCU).
2. Whenever e-commerce activities are targeted at consumers, it is necessary to comply with consumer protection legislation, regulated in the aforementioned TRLGDCU.

This Law defines “distance sales” as sales concluded without the simultaneous physical presence of the buyer and the seller, where the seller’s offer and the buyer’s acceptance are

conveyed exclusively by a means of distance communication of any nature and within a distance contract system organized by the seller.

This Law establishes that distance sale offers (either to consumers or to undertakings) must contain at least the following:

- The seller’s identity, including its trade name.
- The main features of the product, the price, and the shipping expenses and, if applicable, the cost of using the distance communication technique if it is calculated on a basis other than the basic rate basis.
- The full address of the trader’s establishment, telephone number and e-mail address, and details of any other medium made available to consumers or users by the trader.
- Where applicable, the fact that the price has been customized on the basis of automated decision-making.
- The payment method, and form of delivery or types of fulfillment of orders.
- The period for which the offer remains valid and, if applicable, the minimum term of the contract.
- The existence of a right to withdraw or terminate the contract and, if applicable, the circumstances and conditions in which the seller could supply a product of equivalent price and quality.
- The out-of-court dispute resolution procedure, if applicable, in which the seller participates.

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- Reminder of the existence of a legal guarantee depending on the type of goods or services.

- Information of the cases in which the Seller shall take the costs of returning the goods.

This Royal Decree sets out, among other matters affecting the consumers, the rules governing unfair conditions of contracts concluded with consumers, and the right to withdraw that consumers have in distance sales (fourteen calendar days).

- It should also be noted that Law 22/2007, of July 11, 2007, on the distance marketing of consumer financial services, shall also be taken into consideration when dealing with consumers in the financial sector. The Law specifically regulates the protection granted by the general law to the users of remote financial services by establishing, among others, the generic requirement to provide the consumer with precise and exhaustive information on the financial contract prior to its signature and by granting the consumer a specific right to withdraw from the distance contract previously concluded.
- In making the contract, there is an intention to incorporate predisposed clauses into a plurality of contracts, regard must be had to Standard Contract Terms Law 7/1998.
- If the activity carried out is related to the sale of consumer goods, the aforementioned TRLGDCU must be taken into consideration regarding the warranties on consumer goods, because it establishes the measures aimed at ensuring a minimum uniform standard of consumer protection. Such rules require the trader to provide a free 3-year warranty for consumers on all consumer goods (acquired for the first time) and a 2-year warranty in the case of digital contents or services¹, and to offer consumers a range of possible remedies when the goods acquired do not

conform to the terms of the contract, to make them conform, enabling consumers to choose between demanding their repair or substitution.

2.1.3 OTHER APPLICABLE REGULATIONS

- In accordance with Law 56/2007 of December 28, 2007 on Measures to Promote the Information Society, enterprises that provide services of special economic significance to the general public and that are of a certain size are required to provide their users with an electronic means of communication which, through the use of qualified electronic signature certificates, enables them to perform at least the following steps: (a) conclude contracts electronically and amend and terminate them, (b) consult their customer data (including the record of billings covering at least the past 3 years) and the concluded contract, with its general conditions, (c) submit complaints, incidents, suggestions and claims (while guaranteeing a record of their submission and direct personal assistance), and (d) exercise the rights provided for in data protection legislation.

This requirement applies to enterprises providing services of special economic significance to the general public provided that they employ more than 100 workers or have an annual turnover (according to the VAT legislation) of more than €6,010,121.04. The enterprises that Law 56/2007 includes in this category are those operating in the following industries: (i) electronic communications services to consumers, (ii) financial services aimed at consumers (banking, credit or payment, investment services, private insurance, pension plans and insurance brokerage), (iii) supplying water to consumers, (iv) supplying retail gas, (v) supplying electricity to final consumers, (vi) travel agencies, (vii) carriage of travelers by road, railway, by sea, or by air, and (viii) retail trade (although for these last-mentioned

ones, the electronic means of communication need only enable what is set out in letters (c) and (d) above).

- Due to their particular importance in electronic commerce, it is worth noting some legal provisions concerning payment services:
 - Royal Decree-Law 19/2018, of 23rd November, on payment services and other urgent measures on financial matters is the law transposing in Spain the Directive (UE) 2015/2366, of 25th November, on payment services in the internal market (known as PSD2 Directive). This Royal Decree-Law has repealed the Payment Services Law 16/2009, of November 13, 2009. The new payment services legislation mainly affects the payment transactions that are most commonly used in an electronic commerce environment: transfers, direct debiting and cards, establishing, as a general rule, that the payer and the payee of the transaction must each bear the charges levied by their respective payment services providers. In any event, in the case of transactions with consumers, the specific legislation (Legislative Royal Decree 1/2007) prohibits the trader from charging the consumer fees for the use of payment methods that exceed the cost borne by the trader for the use of such payment methods.

Due to the volume and importance of the data that may be exchanged in connection with economic transactions executed in an e-commerce environment, the protection of the personal data that they may contain is particularly important. In this regard, it is important to consider Guidelines 06/2020 on the interplay of the Second Payment

¹ In accordance with art. 16.7 of Royal Decree-Law 7/2021 of April 27, 2021, which amends, among others, art. 120 of the TRLGDCU, the period for declaring a lack of conformity in the case of contracts for the sale and purchase of goods is changed from two to three years, effective for goods purchased after January 1, 2022.

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Services Directive and the General Data Protection Regulation, adopted by the European Data Protection Board (EDPB) on December 15, 2020.

Lastly, both the Royal Decree-Law 29/2018 and the consumer protection legislation envisage for distance contracts that, where the amount of the purchase or of a service has been charged fraudulently or incorrectly using the number of a payment card, the consumer may request the immediate cancellation of the charge.

As one of the main news of the Royal Decree-Law 19/2018, it regulates the payment initiation services and the account information services.

- b. The legislation on interchange fees has been introduced by the Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April on interchange fees for card-based payment transactions, the Royal Decree-Law 8/2014, of July 4 and Law 18/2014, of October, 15. This legislation establishes a system of caps on interchange fees in transactions with credit or debit cards in Spain (applying them to POS terminals located in Spain), regardless of the trade channel used (that is, including physical and virtual POS terminals), provided that they require the involvement of payment services providers established in Spain.

The caps applicable on or after September 1, 2014, are as follows:

- i. Debit cards: the interchange fee per transaction may not exceed 0.2% of the value of the transaction, subject to a cap of €0.07. But if the amount does not exceed €20, the interchange fee may not exceed 0.1% of the value of the transaction.

- ii. Credit cards: the interchange fee per transaction may not exceed 0.3% of the value of the transaction. But if the amount does not exceed €20, the interchange fee may not exceed 0.2% of the value of the transaction.

These caps do not affect transactions performed with company cards or withdrawals of cash from automatic teller machines. In addition, three-party payment card systems are excluded from the application of these caps, except for certain cases identified by the legislation.

Furthermore, Circular 1/2015, of March 24, from the Bank of Spain, to payment service providers, on information regarding discount and interchange fees received, and Circular 1/2016, of January 29, from the Bank of Spain, which amends Circular 1/2015, of March 24, to payment service providers, on information regarding discount and interchange fees received, establish the obligation for payment service providers to publish on their website information about the transactions carried out in each natural quarter for the different card profiles and beneficiary activities, except for information related to the number and amount of payment transactions, as well as the amount of fees received.

3. Also worthy of note is Law 29/2009, of December 30, 2009, modifying the legal regime governing unfair competition and advertising in order to enhance consumer and user protection. Special mention should be made of the unfair practice status to be granted to the making of unwanted and reiterated proposals by telephone, fax, e-mail and other means of long-distance communication, unless such proposals are legally justified for the purpose of complying with a contractual obligation. Moreover, when issuing such communications, traders and professionals

must use systems that enable consumers to place on record their opposition to continuing to receive commercial proposals from such traders or professionals. Thus, when making such proposals by telephone, calls must be made from an identifiable number.

4. It is convenient to take into account the legislation deriving from the Directive (EU) 2016/1148, concerning measures for a high common level of security of network and information systems across the Union. In Spain, this Directive has been transposed by means of the Royal Decree-Law 12/2018, of 7 September, concerning security of the networks and information systems, which has itself been developed by Royal Decree 43/2021, of 26th of January. This legislation applies to essential services operators and digital services providers, as they are defined therein (digital services being the cloud computing services, online search engines and online marketplaces). In particular, these marketplaces are a more and more common way of developing e-commerce activities.

It should be noted that the aforementioned Directive (EU) 2016/1148 has been repealed by Directive (EU) 2022/2555 of December 14, 2022 on measures for a high common level of cybersecurity across the Union (NIS 2 Directive).

The main objectives of this new Directive are: to eliminate the divergences that have arisen between Member States' national cybersecurity regulations and the implementation thereof, namely by defining minimum standards for the functioning of a coordinated regulatory framework, establishing mechanisms to ensure that the competent authorities of each Member State cooperate effectively, updating the list of sectors and activities subject to cybersecurity obligations, and making available effective remedies and enforcement measures to guarantee actual compliance with such obligations.

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However, although this Directive came into force on January 16, 2023, the period for its transposition finished on October 17, 2024. On January 14, 2025, the Council of Ministers in Spain approved the draft Law on Coordination and Governance of Cybersecurity, whose main objective is to transpose the NIS 2 Directive into Spanish legal order. However, although its processing through the urgent procedure has been foreseen, its approval is still pending, and until its transposition into Spanish law has been approved, the provisions of Royal Decree-Law 12/2018 will continue to apply.

We simply mention this legislation because, although it only applies to certain types of service providers, compliance with it is particularly important, especially in the case of the obligated parties under Royal Decree-Law 12/2018, and those others referred to in the provisions transposing the NIS 2 Directive, based on the new activities and criteria for determining whether an entity is an obligated party included in the scope of application of the Directive.

All obligated entities must take into account this legislation, which, among others, imposes an obligation to notify the competent authorities beforehand, and requires compliance with other data security obligations (such as, for example: governance measures, internal organizational policies and greater control over subcontractors). Non-compliance may lead to high penalties (up to €10 million or a maximum of at least 2% of the total annual worldwide turnover of the organization to which the essential entity belonged during the previous financial year, whichever is higher).

- Finally, it is important to draw attention to Regulation (EU) 2022/2554 of December 14, 2022 on digital operational resilience for the financial sector (DORA), which came into force on January 16, 2023, and is applicable in all Member States since January 17, 2025.

Digital operational resilience is defined as the ability of a financial entity to build, assure and review its operational integrity and reliability by ensuring, either directly or indirectly through the use of services provided by ICT third-party service providers, the full range of ICT-related capabilities needed to address the security of the network and information systems which a financial entity uses², and which support the continued provision of financial services and their quality, including throughout disruptions.

In this regard, the purpose of the DORA Regulation is to establish, for the security of networks and information systems, a series of uniform requirements: (i) that are applicable to financial institutions (i.e. on ICT risk management, the notification of serious ICT and payment incidents, digital operational resilience testing), (ii) requirements regarding contractual arrangements with ICT providers, (iii) rules on the supervisory framework for critical ICT third-party providers, and (iv) rules on cooperation between authorities.

As a result, this Regulation contains important organizational, analytical and technical requirements for the entities which are obliged to comply with its provisions. It establishes that the organization's most senior managing body shall be responsible for defining, approving and supervising a management and governance framework for the organization to ensure compliance with ICT risk management requirements and the obligations envisaged in its provisions.

It should be noted that the European Commission, on February 20, 2025, published the Delegated Regulation (EU) 2025/301 and the Implementing Regulation (EU) 2025/302, both dated on October 23, 2024, with the aim of complementing DORA regarding the requirements for reporting serious ICT incidents. All obligated entities must comply with the requirements concerning, among others: the content of incident notification

reports, notification deadlines, and reporting templates or models, as outlined in these regulations when reporting an incident in compliance with DORA. Both regulations have come into force and are fully applicable since March 12, 2025.

2.2 ELECTRONIC INVOICING

Article 88.2 of Value Added Tax Law 37/1992 states that VAT shall be charged through the invoice, on the conditions and with the requirements determined by regulations. A clear indication that the new invoicing regulations approved by Royal Decree 1619/2012, of November 30, 2012, aim to promote electronic invoicing is that they establish the same treatment for electronic invoices as for paper invoices. A new definition is provided for electronic invoice, i.e., an invoice that meets the requirements established in the Royal Decree, but which has been issued and received in electronic format.

Therefore, this equal treatment for paper and electronic invoices broadens the possibilities for the supplier to be able to issue invoices electronically without needing to use specific technology to do so.

Regarding electronic invoicing in B2B transactions, it is important to mention Law 18/2022 (known as the "Create and Grow Law"), which introduced the obligation to issue, as a general rule and with some exceptions, electronic invoices in such transactions.

This electronic invoicing obligation was made subject to the approval of the Regulation implementing the content of Law

² The scope of application of the DORA Regulation includes a broad list of entities, such as credit institutions, payment institutions, account information service providers, e-money institutions, investment firms and third-party providers of ICT services.

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18/2022. There is currently a Draft Royal Decree addressing its implementation which is pending approval.

In line with the above, within the EU, the VAT in the Digital Age (ViDA) package was adopted on March 11, 2025, which provides for gradual changes from 2025 until 2035 to achieve, among other issues, the complete harmonization of national electronic invoicing systems. Specifically, with effect from the adoption of the aforementioned package, Directive 2006/112 has been amended, enabling Member States to introduce electronic invoicing under certain conditions.

In addition, since January 15, 2015, there has been an obligation in Spain (by application of Law 25/2013, of December 27, 2013, on the promotion of electronic billing and the creation of a public sector accounting register of invoices) to issue invoices in electronic format that affects enterprises operating in certain industries (according to a list included in the law) and providing services “of special economic significance” to the general public.

2.3 ELECTRONIC SIGNATURE

On the 28th of August 2014 the Regulation (EU) 910/2014 of the European Parliament and of the Council of July 23, 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC was published in the Official Journal of the European Union. This Regulation came into force on the 17th of September of the same year and it is obligatory since the 1st of July 2016 (known as e-IDAS Regulation). At a national level, Law 6/2020, of 11th of November, on several aspects of the electronic trust services, introduces specific regulations complementing the contents of e-IDAS Regulation in Spain.

Regulation 910/2014 defines the following concepts:

- **‘Electronic signature’**, data in electronic form which is attached to or logically associated with other data in electronic form and which is used by the signatory to sign.
- **‘Advanced electronic signature’** means an electronic signature which meets the requirements set out in article 26.
- **‘Qualified electronic signature’** means an advanced electronic signature that is created by a qualified electronic signature creation device, and which is based on a qualified certificate for electronic signatures.
- **‘Certificate for electronic signature’** means an electronic attestation which links electronic signature validation data to a natural person and confirms at least the name or the pseudonym of that person.
- **‘Qualified certificate for electronic signature’** means a certificate for electronic signatures, that is issued by a qualified trust service provider and meets the requirements laid down in Annex I [of the e-IDAS Regulation].
- **‘Electronic seal’** means data in electronic form, which is attached to or logically associated with other data in electronic form to ensure the latter’s origin and integrity.
- **‘Advanced electronic seal’** means an electronic seal, which meets the requirements set out in article 36 [of the e-IDAS Regulation].
- **‘Certificate for electronic seal’** means an electronic attestation that links electronic seal validation data to a legal person and confirms the name of that person.

- **‘Qualified certificate for electronic seal’** means a certificate for an electronic seal, that is issued by a qualified trust service provider and meets the requirements laid down in Annex III [of the e-IDAS Regulation].

In the structure of the e-IDAS Regulation, “an electronic signature shall not be denied legal effect and admissibility as evidence in legal proceedings solely on the grounds that it is in an electronic form or that it does not meet the requirements for qualified electronic signatures”, and therefore any electronic signature, whatever the type, has legal effect and must be admitted as evidence, although, as the e-IDAS Regulation states, only “a qualified electronic signature shall have the equivalent legal effect of a handwritten signature”.

On April 30, 2024, Regulation (EU) 2024/1183 of the European Parliament and of the Council, dated April 11, 2024, was published, amending the e-IDAS Regulation, known as e-IDAS 2 Regulation, which has been in force since May 20, 2024. The main novelty of this Regulation is the introduction of the EU Digital Identity Wallet (EUDI), aimed at creating a harmonized digital identity framework within the European Union that allows citizens of Member States and residents in the Union to electronically identify themselves and manage their identity documents securely throughout the European Union territory.

In this regard, one of the main objectives of the EUDI is to enable access to online services with their national digital identification, avoiding the obligation to use other less secure means of identification, and to ensure greater control for users over their identity documents and personal identification data on the internet. Additionally, users will be able to generate qualified electronic signatures from this wallet. In this sense, it is the responsibility of the Member States to make the European digital wallets available to citizens, which must be distributed within twenty-four

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months from the publication of the corresponding implementing regulations (adopted by the Commission on November 28, 2024, and published in the OJEU on December 4, 2024). This means that the European digital wallets must be available to citizens of the Member States by the end of 2026. Therefore, digital service providers and e-commerce in the European Union must take into account the new developments in this area to allow user identification, with all necessary guarantees, through the use of the European digital wallet.

2.4 PERSONAL DATA PROTECTION

Another aspect that may have e-commerce implications is the possible processing of any personal data in transactions of this nature.

At present, the applicable legislation on these matters in Spain, as in the rest of the European Union, is the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), known as GDPR.

In the framework of the GDPR, which is directly applicable in Spain since 25th May 2018, the Constitutional Law on the Protection of Personal Data and guarantee of digital rights (LOPD-gdd) has been passed, repealing the previous Constitutional Law 15/1999, of 13 December, on Personal Data Protection. The LOPD-gdd regulates some aspects of the processing of an individual's personal data within the margins that the GDPR allows to the EU Member States.

The GDPR applies to “personal data,” meaning any information concerning identified or unidentified individuals. Accordingly, it does not apply to data concerning legal entities, however, as opposed to the previous legislation in Spain, it applies to data concerning individual entrepreneurs or individuals being the contact person of a legal entity where the personal data is used.

Personal data protection legislation revolves around the following principles:

- The data controller has to rely on one of the legal bases envisaged in article 6 of the GDPR in order to be able to process personal data.
- The processing of specially protected data (i.e., data referring to ideology, labor union membership, religion, beliefs, ethnicity, health, and sex life) is prohibited other than in certain circumstances set out in article 9.2 of the GDPR.
- The data subject must be informed of a number of matters in relation to the envisaged processing of his or her personal data.
- Personal data may only be processed where they are adequate, relevant and not excessive in relation to the purpose for which they have been obtained.
- Personal data may only be disclosed if a legal basis applies.
- When the communication is addressed to a third party classified by the Law as a data processor, which provides a service entailing access to such data, prior consent by the data subject is not required, but the relationship must be regulated in a contract for services that includes a number of provisions established in article 28 of the GDPR (data processing agreement).

- There is recognition of data subjects' rights of access, rectification, erasure, restriction of processing, portability, and objection and the right not to be subject to a decision based solely on automated processing, including profiling, which has legal consequences for them.
- Sanctions for infringement of GDPR may consist of fines of up to €20,000,00 or 4% of the global annual turnover of the group during the previous financial year, whichever is higher.

It should also be noted that international transfers of personal data are subject to limitations and the obligation to ensure an equivalent level of security as that inside the EU, and therefore it is necessary to use one of the methods listed in the GDPR including, in some cases, the prior authorization of the Director of the Spanish Data Protection Agency.

In relation to penalties, worthy of note is the power of the Spanish Data Protection Agency not to commence, in certain exceptional cases, disciplinary proceedings and, instead, require the party responsible for the offense to evidence that it has taken the corrective measures applicable in each case.

The GDPR bases its regulatory structure on the “accountability”, which implies the obligation for the data controller to assess the processing that it carries out and the risks attached thereto, adopting the security measures that are more accurate for each case. This principle is closely related to the concept “Privacy by Design and by Default”, which places data controllers under the obligation to assess such processing risks and to implement appropriate technical and organizational measures, not only during processing, but also from the design stage of the processing, and to ensure that by default, only the data necessary for the specific purposes of the processing are processed.

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2.5 INTELLECTUAL AND INDUSTRIAL PROPERTY AND DOMAIN NAMES

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2.5.1 COPYRIGHT

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The legal protection of copyright is crucial when engaging in e-commerce in the “information society”, since digital content protected by intellectual property (authorship, trademarks, image rights, etc.) constitute the real value added of the internet.

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The [Copyright Law](#)³ establishes in article 10 that all original literary, artistic or scientific creations expressed by any means or on any medium, whether tangible or intangible, currently known or invented in the future, are copyrightable. Accordingly, all original creations are subject to protection, including graphic designs and source codes of, and information contained on, websites.

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Website content will be afforded such protection as pertains to the specific category of the content (graphics, music, literary works, audiovisual, databases, etc.) and, therefore, the person in charge of the website must hold the related rights, either as the original owner (of the collective work under his management or developed by employees) or as a licensee.

In protecting intellectual property, the owner may seek both civil and criminal remedies. The [Copyright Law affords](#) the holder of the rights of exploitation the possibility of applying for the cessation of unlawful activities (e.g., a website unlawfully disseminating a protected work could be closed down) and of seeking damages. From a criminal law standpoint, the protection of intellectual property on the Internet is based on article 270 of the [Criminal Code](#), which imposes prison sentences or fines for crimes against intellectual property.

[Directive 2001/29/EC](#) on the harmonization of certain aspects of copyright and related rights in the information society, was implemented in Spain through Law 23/2006, which amends the Copyright Law in order to harmonize the economic rights of reproduction, distribution and public communication (including new forms of interactive on-demand making available of works), with the rest of EU Member States and to adapt the rules governing these rights to the new operating procedures existing in the Information Society. Spain is at the forefront of the fight to strengthen copyright protection on the Internet. The Law 21/2014, of November 4, broadens the powers of the administrative body within the Ministry of Culture (the “Second Section of the Copyright Commission”), strengthening a procedure to fast-track action for copyright infringement on the Internet. The purpose of this amendment is to force Internet Service Providers (ISPs) to take down unlawful content and, in some cases, to shut down websites which openly violate copyright legislation (including websites which actively provide lists of links to unlawful content).

Royal Decree-Law 24/2021, of November 2, transposed into Spanish law Directives (EU) 2019/789 and 2019/790, which address copyright and related rights in the digital single market. This legislation introduces, among other measures:

- New regulations for online content service providers: specific obligations are established for platforms sharing content protected by copyright, aiming to balance the protection of rights holders and user access to content.
- Rights for publishers of press publications and news agencies: a new related right is recognized, allowing them to manage and protect the online use of their publications in certain situations.
- Equitable remuneration for authors and artists: the guarantees for fair remuneration in exploitation contracts are

strengthened by introducing mechanisms for transparency and contract review.

- New limitations on intellectual property rights in the digital environment: the use of works for text and data mining, educational purposes, and by cultural heritage institutions is further developed, along with the concept of *pastiche*.

Lastly, Royal Decree-Law 12/2017, of July 3, amends article 25 of the Intellectual Property Law regarding fair compensation for private copying levy. The amounts applicable to devices subject to compensation are outlined in Royal Decree 209/2023, of March 28.

2.5.2 INTELLECTUAL PROPERTY

When engaging in e-commerce, regard should also be had to intellectual property matters. Article 4.4.c of the [Patents Law 24/2015, in force since 1st of April 2017](#), provides that plans, rules, and methods for conducting a business, as well as software, cannot be patented.

2.6 LAW 34/2002 ON INFORMATION SOCIETY SERVICES AND E-COMMERCE

Law 34/2002 on Information Society Services and E-Commerce (LSSI) defines as “information society services” any service provided for a valuable consideration, long-distance, through electronic channels and upon individual request by the recipient, also including

³ Legislative Royal Decree 1/1996, of April 12, 1996, approving the Revised Intellectual Property Law, regulating, clarifying and harmonizing the legal provisions in force in this area.

Legal framework and tax implications of e-commerce in Spain



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those not paid for by the recipient, to the extent that they constitute an economic activity for the provider. Specifically, the following are deemed to be information society services:

- Contracting for goods and services through electronic means.
- Organization and management of auctions using electronic means or of virtual shopping centers or markets.
- Management of purchases on the network by groups of persons.
- Sending of commercial communications.
- Supply of information through telematic channels.
- Video upon demand, as a service that the user may select through the network and, in general, the distribution of contents upon individual request.

The LSSI applies to information society service providers established in Spain. In this respect, the provider is considered to be established in Spain when its place of residence or registered office is located in Spanish territory, provided that it coincides with the place where its administrative management and business administration are actually centralized. Otherwise, the place where such management or direction is performed will be considered.

Likewise, the LSSI will apply to services rendered by providers who are resident or have a registered office in any other State when the services are offered through a permanent establishment located in Spain. Therefore, the mere use of technological means located in Spain to provide or access the service will not of itself determine that the provider has an establishment in Spain.

The above notwithstanding, the requirements of the LSSI will apply to service providers established in another State of the European Union or the European Economic Area when the recipient of the services is located in Spain and the services affect:

- Intellectual or industrial property rights.
- Advertising issued by collective investment institutions.
- Direct insurance activities.
- Obligations arising from contracts with consumers.
- The lawfulness of unsolicited commercial communications by e-mail.

The LSSI establishes the basic legal regime for information society service providers and e-mail activities, including:

- The principle of freedom to provide services not subject to prior authorization applies to information society services, except in certain cases. In the case of service providers established in States that do not belong to the European Economic Area, this principle will apply in accordance with the applicable international agreements.
- The following obligations are imposed on information society service providers:

- To put in place the means to permit the recipients of the services and the responsible bodies to access easily, directly and free of charge, the information on the provider (corporate name, registered office, registration particulars, tax identification number, etc.), on the price of the product (stating if it includes applicable expenses and

shipping costs) and on the codes of conduct to which it has adhered.

- For providers of intermediation services, to cooperate with the responsible authorities in interrupting the provision of information society services or in withdrawing contents.

Please note that depending on the specific services that these intermediation service providers carry out (access to the internet, e-mail services), they are obliged to furnish certain information such as, for example, the security measures in place, the filters for certain persons to access the site or the responsibility of the users.

- A specific system of liabilities is established for information society service providers, without prejudice to the provisions of civil, criminal and administrative legislation.
- A specific system is established for commercial communications through electronic channels, without prejudice to the legislation in force on commercial, publicity and personal data protection matters. In this regard, commercial communications through electronic channels must be clearly identifiable, stating the individual or corporation for whom they are made, and spelling out the conditions for access and participation, in the case of discounts, prizes, gifts, competitions or promotional games.

Additionally, advertising or promotional communications sent by e-mail or similar form of communication that have not been previously requested or expressly authorized by the recipients are prohibited. Express consent will not be necessary when there is a pre-existing contractual relationship, provided that the supplier had lawfully obtained the recipient's contact data and that the commercial communications refer to goods or

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services of the provider's own company which are similar to those for which the recipient initially made a contract. In any case, the provider must offer the recipient the possibility to object to the processing of his data for promotional purposes, through a procedure that is simple and free of charge, both at the time the data is collected and in each of the commercial communications sent to him. Where the communications have been sent by e-mail, that medium shall necessarily include a valid e-mail address where the recipient can exercise this right, it being prohibited to send communications that do not include such address.

- Service providers may use devices for storage and recovery of data on computer terminals of the recipients (commonly known as "cookies"), on the condition that the recipients have given their consent after having received clear and complete information on their use.

Where technically possible and efficient, the recipient may give his consent to the processing of his data through the use of the appropriate parameters of the browser or of other applications, provided that the recipient must configure it during installation or updating through express action for that purpose.

The foregoing will not prevent the possible technical storage or access for the sole purpose of transmitting a communication through an electronic communications network or, to the extent that it is strictly necessary, providing an information society service expressly requested by the recipient.

The Spanish Data Protection Agency is the body with the authority to impose monetary penalties to the information society providers for the use of cookies without the proper informed consent from users of an information society service. The fines can reach the amount of €30,000.

- Contracts through electronic channels are regulated, recognizing the effectiveness of the agreements made through electronic channels when consent has been granted and other requirements necessary for their validity are met. Additionally, the following provisions are established for contracts made through electronic channels:

- The requirement that a document should be placed on record in writing is considered to be met when it is contained on electronic medium.
- The admission of documents on electronic medium as documentary evidence in lawsuits.
- Determination of the legislation applicable to the contract made through electronic channels will be governed by the provisions of international private law.
- Establishment of a series of obligations to be met prior to commencement of the contracting procedures, relating to the information that must be furnished on the formalities for the making of the contract, the validity of offers or proposals of contracts and the availability, if any, of general contracting conditions.
- Obligation on the offeror to confirm receipt of the acceptance within 24 hours after its receipt, by an acknowledgement sent by e-mail or equivalent means to that used in the contracting procedure which enables the recipient to give such confirmation.
- Assumption that agreements made through electronic channels in which the consumer participates have been made in the place where the consumer has his customary place of residence. When these contracts are made between

entrepreneurs or professionals, they will be assumed to have been made, in the absence of a provision on the matter, in the place where the service provider is established.

When dealing with agreements entered into with customers, the Revised General Consumer and User Protection Law should be taken into account, in particular in connection with distance sales.

- Recognition of a ground to claim cessation against conduct that contravenes the LSSI which is detrimental to collective or general consumers' interests, and promotion of out-of-court settlement of disputes.
- Establishment of minor, serious and gross infringements due to failure to comply with the obligations imposed by the LSSI, with penalties of up to €600,000.

It should be noted that the European Commission announced on February 11, 2025, the abandonment of the push and approval of the ePrivacy Regulation proposal. The main objective of this Regulation was to update Directive 2002/58/EC of the European Parliament and of the Council of July 12, 2002, concerning the processing of personal data and the protection of privacy in the electronic communications sector (ePrivacy Directive) -transposed into the Spanish legal order through the LSSI- to, among other things, address from a more current perspective the different internet tracking technologies, cookies, and the confidentiality of electronic communications. However, the Commission has understood that this proposal, whose content has been the subject of multiple debates since its announcement in 2017, has become obsolete according to the current technological reality and the latest legislative developments related to the matter. Internet service providers and e-commerce will need to pay attention to future possible legislative initiatives that aim to update the framework of the currently in-force ePrivacy Directive.

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2.7 PLATFORMS REGULATION

As an important European law, it is also worth mentioning the Regulation (EU) 2019/1150 of the European Parliament and of the Council of June 20, 2019 “on promoting fairness and transparency for business users of online intermediation services”, known as P2B. This regulation applies to online intermediation services (commonly known as “marketplace”) and the search engine services.

The Regulation imposes certain obligations to the online intermediation services providers, such as the inclusion in the terms and conditions of information on the ranking parameters, clear and transparent description of the terms and conditions and of the ancillary goods and services, limitations regarding termination of the contracts or inclusion of internal complaint-handling systems.

2.8 DIGITAL SERVICE ACT AND DIGITAL MARKETS ACT

As a consequence of the most recent legislative campaign promoted by the European Commission, in relation to the regulation of the digital environment for the creation of a safer digital space, a package of measures has recently been approved for this purpose. These measures include most notably the following:

- Regulation (EU) 2022/2065 of October 19, 2022 on a single market for digital services (Digital Services Act or DSA).

This Regulation, which was approved on October 4, 2022, and which did not come into force until February 17, 2024 (with the exception of certain obligations that apply as from its

publication), imposes obligations on digital service providers to prevent unlawful content on the Internet, while seeking to ensure that the rights of their users are safeguarded. Although the DSA partially amends Directive 2000/31/EC, it maintains the exclusion of liability for intermediary service providers, but imposes more obligations on them in terms of transparency, information, design of their services and the implementation of procedures, with the aim of making them more diligent in the removal of the content they host.

The parties obliged to comply with this regulation include: online intermediation services, data hosting services, online platforms (including social networks and marketplaces) and search engines. In this regard, it should be noted that platforms and search engines with a number of users exceeding 10% of the EU population will be required to comply with additional obligations.

This Regulation sets forth that the Member States must establish the sanction regime applicable to the infringements described therein, ensuring that the maximum amount of such sanctions should be 6% of the annual worldwide turnover of the intermediary service provider in the previous financial year.

The DSA obliges the Member States to designate a competent authority in charge of the coordination and supervision of its effective compliance. In Spain, the National Markets and Competition Commission (CNMC) has been appointed for this purpose, having supervisory, investigative, and sanctioning powers on service providers established in Spain within the scope of the regulation.

- Regulation (EU) 2022/1925 of September 14, 2022 on contestable and fair markets in the digital sector (Digital Markets Act or DMA).

This Regulation, applicable as from May 2, 2023, aims to ensure that large digital platforms do not engage in anti-competitive conduct and avoid unfair practices, such as: favoring the services offered by the platforms themselves, preventing professionals using their services from impacting consumers, or preventing the installation of applications from sources other than the service provider itself.

In order to be considered subject to this rule, a series of conditions must be met. Of these, the following in particular require analysis: the platform’s annual turnover in the European Economic Area, whether its services are used for intermediation between a certain volume of end users and professionals, and whether the platform maintains this position over a certain period of time.

In addition, the European Commission must appoint as “gatekeepers” the companies that meet these conditions, having designated for this purpose, on March 7, 2024, the following: Alphabet, Amazon, Apple, ByteDance, Meta and Microsoft, and on May 13, 2024, Booking.com for its online intermediary services.

The penalties that the Commission may impose on obligated entities for breaches of the DMA may be up to 10% of a company’s worldwide turnover of the previous financial year, and up to 20% in the event of repeated breaches.

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3. Tax implications of e-commerce in Spain

- 1 Introduction
- 2 Defining regulatory principles
- 3 Tax implications of e-commerce in Spain

3.1 INITIATIVES TAKEN IN RELATION TO TAXATION, PROBLEMS, GENERAL PRINCIPLES

In relation to e-commerce, Law 4/2020 of October 15, 2020 on the Tax on Certain Digital Services (TCDS) came into force on January 16, 2021, such tax being levied on the provision of certain digital services involving users located in Spanish territory. As shall be explained in greater detail in the section on direct taxation, this is a measure adopted by Spain unilaterally, on a transitional basis, through provisional legislation which shall remain in force until a solution adopted internationally can be implemented.

On the other hand, in relation to VAT, Spain has assumed commitments at European Union (EU) level.

Below is a list of the basic pieces of VAT legislation emanating from the EU:

- Council Directive 2006/112/EC of November 28, 2006 on the common system of value added tax. Council Directive 2008/8/EC of February 12, 2008, has amended Directive 2006/112/EC as regards the place of supply of services, introducing, in particular, rules applicable to telecommunications, broadcasting and electronically supplied services, with effect from January 1, 2015. On the other hand, Directive 2017/2455 of December 5, 2017, also introduced certain amendments in relation to on-line trading in goods and services. Part of these amendments came into force on January 1, 2019 (those affecting trade in services) and the pertinent changes have therefore already been made to internal legislation.

Finally, other measures came into force on July 1, 2021, (those relating primarily to distance sales of goods) and have been transposed into Spanish legislation by means of Royal Decree-Law 7/2021 of April 27, 2021.

Additionally, Council Directive 2019/1995 of November 21, 2019, introduced amendments which came into force on July 1, 2021, related to distance sales of goods and certain domestic supplies of goods.

Lastly, Directive 2022/542, of 5 April, 2022 amended Directive 2006/112/EC, with entry into force on January 1, 2025, as regards the rules governing the place of supply of live-streaming services.

- Council Implementing Regulation (EU) No 282/2011 laying down implementing measures for Directive 2006/112/EC on the common system of value added tax. This Regulation has been amended by Council Implementing Regulation (EU) No 1042/2013 of October 7, 2013, as regards the place of supply of services. Similarly, Implementing Regulation 282/2011 was amended by means of Implementing Regulation 2017/2459 of December 5, 2017, for the purpose of introducing certain simplification rules in respect of on-line trading in services for small and medium-sized companies. These changes came into force on January 1, 2019.

Additionally, Council Implementing Regulation 2019/2026 of November 21, 2019, has also introduced amendments to Implementing Regulation 282/2011 that came into force on July 1, 2021. Those amendments are related to supplies of goods or services facilitated by electronic interfaces and the special schemes for taxable persons supplying services to non-taxable persons, making distance sales of goods and certain domestic supplies of goods.

- Council Regulation (EU) No 904/2010 of October 7, 2010, on administrative cooperation and combating fraud in the field of value added tax, which recast Council Regulation (EC) No 1798/2003 of October 7, 2003, on administrative cooperation in the field of value added tax and repealing Regulation (EEC) No 218/92 on administrative cooperation in the field of indirect taxation (VAT), in

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respect of additional measures regarding electronic commerce. On the other hand, this Regulation has been amended by Regulation (EU) 2017/2454, in order to introduce certain changes concerning the transmission of information and transfer of money between Member States, as a result of the new provisions introduced in relation to on-line trading, with effect as from January 1, 2021.

- Council Regulation (EU) No 967/2012 of October 9, 2012, amending Council Implementing Regulation (EU) No 282/2011, as regards the special schemes for non-established taxable persons supplying telecommunications services, broadcasting services or electronic services to non-taxable persons. Among other matters, this Regulation regulates the existence, starting January 1, 2015, of a single point of electronic contact for suppliers of EU electronic, telecommunications, and broadcasting services which will enable enterprises to declare and pay over the VAT in the Member State where they are established rather than doing so in the customer's country.

The content of these EU provisions and their transposition into Spanish law are examined in the section on the indirect taxation of e-commerce.

Work is currently being undertaken by the OECD and the European Union to adapt the international tax system to the digitalization of the economy through the re-allocation of taxing rights to market countries or territories when participating in the economic activity, without the need for a physical presence, and the establishment of certain minimum taxation thresholds, among other questions.

The EU has also been concerned about the growing digital economy of our day. In this sense, it has long promoted the European Strategy eEurope002 (now eEurope2020) which encouraged e-commerce. The consultation period in respect of an initiative to implement a harmonized digital levy was recently initiated.

Finally, the transposition of EU Directive 2021/514 - known as DAC 7 - on cooperation in the field of taxation should be noted, the main new feature of which is the obligation to exchange information obtained through digital platform operators with the other EU countries.

Such transposition will improve administrative cooperation within the European Union and broaden it into new areas, with the aim of addressing the challenges posed by the digitalization of the economy and helping tax administrations collect taxes more efficiently. In this regard, a new reporting obligation is established in relation to digital platform operators.

This legislation not only transposes DAC 7, but it also implements, as part of a reinforcement of international cooperation between tax authorities, the Multilateral Competent Authority Agreement for the automatic exchange of information on income obtained through digital platforms within the scope of the OECD, of which Spain is a signatory.

3.2 DIRECT TAXATION

The following chart shows the main potential issues of this nature:

MAIN CONTENTIOUS ISSUES IN RELATION TO DIRECT TAXATION	
a	The permanent establishment problem.
b	Legal characterization of the income generated from the sale of goods and services on the Internet.
c	Determination of taxable income and transfer pricing problems.
d	Application of the place-of-effective-management rule to determine the tax residence of taxable persons engaging in e-commerce activities.

The most relevant considerations and the progress made in analyzing those issues are summarized below.

3.2.1 THE PERMANENT ESTABLISHMENT PROBLEM

The issue concerns whether the paradigmatic elements of e-commerce, such as a server, a website, etc., can be deemed a permanent establishment (PE) in the country where a company supplying a good or service on the Internet is located.

In the Commentary published in December 2017 on the OECD Model Tax Convention, the comments regarding article 5 (concerning the definition of PE) remain unchanged from those published in 2003, in which the elements defining the new forms of commerce were already foreshadowed. Based on the observations made in the Commentary, the following chart shows the scenarios in which, as a general rule, a PE can be deemed to exist and those in which it cannot:

CAN CONSTITUTE A PE	CANNOT CONSTITUTE A PE
Server	Software
	Website
	ISP (Internet Service Provider)
	Hosting

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The reasons justifying the characterization of a PE in each case are as follows:

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- A computer or server can constitute a PE whereas the software used by that computer cannot. This distinction is important because the entity that operates the server hosting the website is normally different from the entity that engages in the online business (hosting agreements).

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In order to characterize a server as a PE, regard must be had to the following considerations:

- A server will constitute a fixed place of business only if it is permanent and located in a certain place for a sufficient length of time. What is relevant here is whether it is actually moved from one place to another, rather than whether it *can* be moved. A server used for e-commerce can be a PE regardless of whether or not there is personnel operating that server, since no personnel is required to perform the operations assigned to the server.

- In determining whether or not the server installed by a given enterprise in a country constitutes a PE, it is particularly important to analyze whether the enterprise engages in business activities specific to its corporate purpose through that server, or whether, on the contrary, it only engages in activities of a preparatory or auxiliary character (such as advertising, market research, data gathering, providing a communications link between suppliers and customers, or making backup copies).

- A website does not, in itself, constitute tangible property and, therefore, cannot be deemed a “place of business,” defined as facilities, equipment, or machinery capable of

constituting a PE. ISPs do not generally constitute a PE of enterprises that engage in e-commerce through websites since ISPs are not generally dependent agents of those nonresident enterprises.

3.2.2 LEGAL CHARACTERIZATION OF INCOME

The second relevant issue is the characterization of income and, in particular, the possibility that certain goods supplied online may, merely by virtue of the fact that they are protected by intellectual or industrial property laws (such as music, books and, particularly, software), be characterized as generators of royalties and, therefore, be taxable in the country of source.

The Commentaries on the OECD Model Tax Convention characterize as business profits (instead of royalties) almost all payments made for all intangible goods delivered electronically, on the ground that the subject-matter of those transactions are copies of images, sounds or text, rather than the right to exploit them commercially.

Initially, Spain included an observation on the relevant Commentary on the 2003 Model Tax Convention qualifying the treatment of the acquisition of rights to software by arguing that payment for those rights could constitute a royalty. Specifically, Spain considered that payments relating to software were royalties where less than the full rights to it were transferred, either if the payments were in consideration for the use of a copyright on software for commercial exploitation or if they related to software acquired for business or professional use when, in this latter case, the software was not absolutely standardized but somehow adapted to the purchaser.

However, the relevant Commentary on the OECD Model Tax Convention published in July 2008 took the novel line that payments made under arrangements between a software copyright holder and a distribution intermediary do not constitute a royalty if the rights acquired by the distributor are limited to those necessary for the commercial intermediary to distribute copies of the software. Thus, if it is considered that distributors are paying only for the acquisition of the software copies and not to exploit any right in the software copyrights (without the right to reproduce the software), payments in these types of arrangements would be characterized as business profits. The Commentary published in December 2017 maintains this position.

In light of this change in the Commentary on royalties in the OECD Model Tax Convention, Spain introduced a qualification in the observations published in July 2008 (which was kept in the Commentary on the OECD Model Tax Convention published in December 2017), indicating that payments in consideration for the right to use a copyright on software for commercial exploitation constitute a royalty, except payments for the right to distribute standardized software copies, not comprising the right to customize or to reproduce them.

Therefore, as acknowledged by the Directorate-General of Taxes (DGT) in its binding ruling of November 10, 2008 and other subsequent rulings, Spain considers that payments made for the right to distribute standardized software copies are business profits, although it continues to treat as royalties any payments made for the right to distribute software where the software has been adapted. This issue is also addressed, in relation to a “*cloud base software distribution agreement*”, in ruling V2039-July 15, 2015, in which the DGT resolves, on the basis of agreements of this type, on the distinction between business profits and royalties. In any case, as was clarified in a binding ruling of November 23, 2010, the

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transfer, together with the distribution right, of other rights, such as a license to adapt the software being distributed, will mean that the payments are treated as royalties.

It should also be noted that article 13 of the Revised Nonresident Income Tax Law, approved by Legislative Royal Decree 5/2004, of March 5, 2004, treats as royalties amounts such as those paid for the use of, or the right to use, rights in software.

Also, in some tax Treaties signed by Spain, income derived from the licensing of software is expressly characterized as a royalty. In this regard, one should note the Supreme Court judgment of March 25, 2010, which defined the licensing of software as a license of the rights to exploit a literary work. The Court's definition, however, addressed a situation pre-dating the entry into force of the Spanish legislation specifically listing the items deemed to be royalties. However, in a judgment dated March 22, 2012, the National Appellate Court held that such a definition was no longer possible after the entry into force of the above-mentioned legislation. The Supreme Court confirmed this view in a judgment handed down on March 19, 2013, in which it held that characterization as a literary work is no longer correct after the change in the legislation, reflecting a criterion which has continued to gain strength in judgements delivered by this High Court (the most recent of which include judgement STS 2189/2016 of October 11, 2016).

Finally, mention should be made of the National Appellate Court's Judgment of June 18, 2021, in which it concluded that payments made for the assignment of the use of rights over computer programs in which the client is permitted to modify the software assigned (with access to the source code) are to be classed as royalties rather than business profits. The

Chamber reached this conclusion having affirmed that there are more than just two types of software, i.e. standardized and custom-made. There is also a type of software referred to as "customizable" which, based on its definition, can be regarded as "non-standard".

3.2.3 DETERMINATION OF TAXABLE INCOME AND TRANSFER PRICING PROBLEMS

The widespread use of intranets among different companies belonging to multinational groups, and the enormous mobility of transactions over computer networks, create highly complex problems when applying the traditional arm's-length principle to pricing transactions within groups. This has been accentuated by the increase in transactions between group companies and the downloading of digital content or of free services.

Accordingly, the tax authorities of OECD countries (including Spain) are advocating the development of bilateral or multilateral systems for advance pricing agreements, applying the OECD transfer pricing guidelines to e-commerce. Noteworthy in this regard is the creation of an EU Joint Transfer Pricing Forum in which, among other matters, non-legislative measures are being proposed to enable a uniform application of the OECD guidelines across the EU.

Following the initial proposal in relation to Actions 8 to 10 of the BEPS Action Plan, which are ultimately aimed at ensuring that the results of transfer pricing are in line with the creation of value, the implementation of these measures was initially addressed in July 2017 by the OECD Guidelines on transfer pricing for multinational enterprises and tax administrations, which have recently (in January 2022) been updated.

The update reflected in this new version focuses on three main areas:

- Revised guidance in relation to the method for allocating results.
- Guidance for tax administrations regarding the application of the approach towards hard-to-value intangibles.
- Transfer pricing guidance on financial transactions.

In what concerns the second point, which reflects the work carried out by the OECD since the report published in June 2018 on this matter, it is now included in Appendix II of chapter VI of the 2022 Guidelines. A particular aspect of this new publication regards the guidance reflected on the *ex ante criterion*, related to pricing, and the *ex post criterion*, which attends the reliability of evidence on financial results, related to transactions based on the arm's length principle. Some examples are provided to illustrate the adjustments that can be made, in practice, in respect of intangible property of this type.

3.2.4 APPLICATION OF THE PLACE-OF-EFFECTIVE-MANAGEMENT RULE

Due to the special characteristics of e-commerce (which include easy detachability from location, relative anonymity, and the mobility of the parties involved), the traditional rules on taxation of worldwide income, based on the principles of residence, registered office or place of effective management, are more difficult to apply to taxpayers engaging in e-commerce.

Indeed, the parameters established in the tax treaties for apportioning the revenue powers among States in the event of a conflict (most of them based on the "place-of-effective-management" principle) are exceeded in the context of e-commerce,

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since the various managing bodies of the same enterprise can be located in different jurisdictions and be totally mobile during the same year. It can therefore be extremely difficult to determine where the enterprise's place of effective management is situated, and this can lead to double taxation or to no taxation at all⁴.

3.3 INDIRECT TAXATION

It is in the area of VAT where the most relevant coordinated legislative measures have been adopted.

The indirect taxation implications for e-commerce have so far mainly concerned "online e-commerce," a term that refers to products supplied on the Internet in digitized format (books, software, photographs, movies, music, and so on) and downloaded by a user in real time onto his or her computer, having clicked on to the supplier's website and paid for the products in question (in contrast to offline supplies where products sold on the Internet are subsequently delivered by using conventional means of transportation).

However, the EU provisions regarding offline intra-Community trade in goods (distance sales), which are also referred to in this chapter, came into force with effect as from July 1, 2021.

There are other relevant VAT issues also to be considered in relation to e-commerce (especially in the area of online e-commerce). These are basically the following:

- The determination of the VAT rates applicable to the different types of e-commerce.
- The adaptation of the formal obligations and management of VAT to the realities of e-commerce and, particularly, the invoicing obligations.

- The problems already raised in relation to direct taxation, regarding the determination of the existence of a fixed establishment and of the effective place of business, are also applicable in the area of indirect taxation. Council Implementing Regulation (EU) No 282/2011 has clarified these concepts, defining them as follows:

- "Place of establishment of a business": the place where the functions of the business's central administration are carried out, i.e., the place where essential decisions concerning the general management of the business are made, the place where the registered office is located or the place where management meets. The Regulation clarifies that if, having regard to the above criteria, the place of establishment of a business cannot be determined with certainty, the place where essential management decisions are made will take precedence. It also clarifies that a postal address cannot be taken to be the place of establishment of a business.
- "Fixed establishment": any establishment, other than the place of establishment of a business, with a degree of permanence and a suitable structure in terms of human and technical resources to enable the services supplied it to be received and used for its own needs.

Each of these issues is briefly examined below.

3.3.1 SERVICES PROVIDED ELECTRONICALLY

3.3.1.1 DEFINITION OF "TAXABLE EVENT" AS A SUPPLY OF GOODS OR SERVICES FOR THE PURPOSE OF DETERMINING THE PLACE OF SUPPLY

Directive 2002/38/EC was based on the premise that transactions performed electronically are deemed supplies of services:

- Services will be deemed to be electronically supplied services where their transmission is sent initially and received at destination by electronic data processing equipment. The fact that the supplier of a service and his customer communicate by e-mail does not of itself mean that the service performed is an electronically supplied service.

In relation to the concept of "electronically supplied service", article 7 of Council Implementing Regulation (EU) No 282/2011 further defined it by including a list of services that must be regarded as electronically supplied services and others that are not. In this regard, article 7 established that electronically supplied services are those "delivered over the Internet or an electronic network and the nature of which renders their supply essentially automated and involving minimal human intervention, and impossible to ensure in the absence of information technology."

Implementing Regulation 1042/2013, to which we shall refer subsequently because it regulated the changes which came into force on January 1, 2015, revised the list of electronically supplied services as set out in the following table:

⁴ From a general perspective, mention should be made of the *State Tax Agency Directorate General's Ruling of January 26, 2022 approving the general guidelines of the 2022 Annual Tax and Customs Control Plan*. Point A4 of this Ruling, on the "control of economic activities", in section two entitled "control of internal taxes", under heading III on "investigation and verification proceedings in respect of tax and customs fraud", expands upon the various provisions planned to be carried out in 2022. These relate to (i) e-commerce, (ii) the ban on dual-use software, (iii) virtual currencies, and (iv) other virtual work, on which further information will be further provided in the section on indirect taxation.

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ELECTRONICALLY SUPPLIED SERVICES

- The supply of digitized products generally, including software and changes to or upgrades of software.
- Services providing or supporting a business or personal presence on an electronic network such as a website or a webpage.
- Services automatically generated from a computer via the Internet or an electronic network, in response to specific data input by the recipient.
- The transfer for consideration of the right to put goods or services up for sale on an Internet site operating as an online market on which potential buyers make their bids by an automated procedure and on which the parties are notified of a sale by e-mail automatically generated from a computer.
- Internet Service Packages (ISP) of information in which the telecommunications component forms an ancillary and subordinate part (i.e., packages going beyond mere Internet access and including other elements such as content pages giving access to news, weather or travel reports, playgrounds; website hosting; access to online debates etc.).
- The services listed in Annex I.

SERVICES NOT SUPPLIED ELECTRONICALLY

- Radio and television broadcasting services.
- Telecommunications services.
- Goods, where the order and processing is done electronically.
- CD-ROMs, floppy disks and similar tangible media.
- Printed matter, such as books, newsletters, newspapers or journals.
- CDs and audio cassettes.
- Video cassettes and DVDs.
- Games on a CD-ROM.
- Services of professionals such as lawyers and financial consultants, who advise clients by e-mail.
- Teaching services, where the course content is delivered by a teacher over the Internet or an electronic network (namely via a remote link).
- Offline physical repair services of computer equipment.
- Offline data warehousing services.
- Advertising services, in particular as in newspapers, on posters and on television.
- Telephone helpdesk services.
- Teaching services purely involving correspondence courses, such as postal courses.
- Conventional auctioneers' services reliant on direct human intervention, irrespective of how bids are made.
- Tickets to cultural, artistic, sporting, scientific, educational, entertainment or similar events, booked online.
- Accommodation, car-hire, restaurant services, passenger transport or similar services booked online.

3.3.1.2 PLACE OF SUPPLY OF SERVICES PROVIDED ELECTRONICALLY

Directive 2006/112/EC provides that starting on January 1, 2015, the electronically supplied services will be taxed in the Member State where the recipient is established, regardless of where the taxable person supplying them is established. Thus, effective that date, where the recipient is established in Spain, the services will be deemed supplied in Spanish VAT territory. This general rule is applicable for both recipients classed as traders or professionals and those not classed as such.

The above notwithstanding, Directive 2017/2455, effective as from January 1, 2019, established a threshold for the determining the place of provision of these services, the rule being that when

the total amount of services of this kind rendered by the services provider does not exceed, in the current year or the preceding year, €10,000, services provided to final consumers shall be considered subject to VAT in the place where the supplier is established. It should be borne in mind that effective since July 1, 2021, intra-Community distance sales have also been taken into account for the purposes of calculating this €10,000 threshold.

Spanish legislation stipulates that businesses and professionals may opt voluntarily for taxation at destination even when the €10,000 threshold is not exceeded, this option being valid for a minimum of two calendar years. The option must be exercised through the pertinent census communication, using form 036. In addition, since the approval of Royal Decree 1512/2018 of December 28, 2018, which amends – inter alia – the VAT Regulations, the rule has been

that taxable persons who take up this option must demonstrate to the tax administration that the services rendered have been declared in another Member State. Similarly, taxable persons wishing to extend the option exercised must reaffirm it once two calendar years have elapsed, with failure to do so resulting in automatic revocation.

In order to implement the above provisions, Implementing Regulation 1042/2013 introduced the relevant amendments. Accordingly, the Regulation contains provisions:

- To define and update the list of services that are affected by the rules discussed here and to clarify who the supplier is where several traders are involved (i.e. sale of applications).
- To define the place of establishment of the customer (legal person not acting as a trader).
- To clarify – since certain rules already exist in this respect in the Regulation – how to evidence the trader's status as a recipient.
- To specify the place of actual consumption of the services through presumptions on the customer's permanent address or residence and the evidence that can be required, if applicable, to rebut them.
- To establish transitional provisions.

The Regulation also address the supply of services through a portal or telecommunications network such as a marketplace for applications, in order to clarify who will be deemed the supplier in these cases.

The Regulation contains a number of provisions aimed at defining the place of business, establishment, permanent address or habitual residence according to the type of customer in order to

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clarify the application of the place-of-supply rules for supplies of services that depend on these circumstances.

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These definitions are kept intact, although a specific rule is added for legal persons who do not act as traders whose place of establishment will be where the functions of their central administration are carried out (place of business) or where they have a PE that is suitable for receiving or using the services.

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As regards determining the location of the recipient, the place-of-supply rules that apply from 2015 are those for supplies to parties acting as final consumers, that is, natural or legal persons not acting as traders.

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For these purposes, the supplier may regard the recipient as the final consumer as long as the recipient has not communicated his individual VAT identification number to the supplier but, unlike other supplies of services, the supplier may consider the recipient as the final consumer regardless of whether he has information to the contrary.

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In the case of legal persons that have several establishments or of natural persons who have a permanent address other than their habitual residence, the Regulation establishes that:

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- For non-trader legal persons the “place of business” prevails on the terms defined in the preceding section.
- For natural persons, priority will be given to their habitual residence (a concept which is already defined in the Regulation in its current wording) unless there is evidence that the service is used at the person’s permanent address.

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However, these rules are not sufficient to determine the place of supply of services where the same recipient can access them

from several places or by various means. To try to cover the most frequent cases, the Regulation includes specific rules such as the following:

- If the services are supplied requiring the physical presence of the customer (i.e. an internet café, a wi-fi hot spot or a telephone booth), the services will be taxed at that location. This rule also applies to services supplied by hospitality establishments where they are supplied in connection with accommodation services.
- If the service is supplied on board a ship, aircraft or train, at the place of departure of the transport operation.
- A service supplied through a fixed land line, at the permanent address of the customer where it is installed.
- If it is supplied through mobile networks, at the country identified by the mobile country code of the SIM card.
- If the service requires a viewing card or decoder or similar device (without being supplied through a fixed land line), where the decoder or similar device is located, or if that place is not known, at the place to which the viewing card is sent.

In any other case, at the place identified as such by the supplier on the basis of two items of evidence: billing address, IP address, bank details (i.e. place of demand deposit account), the mobile country code stored on the SIM card, location of the land line, other commercially relevant information.

Since January 1, 2019, the rule has been that only one item of evidence is required when the amount of these services rendered by the services provider does not exceed €100,000, either for the current year or the preceding year.

The presumptions on the place of supply of the service described can be rebutted by the supplier if three of the items of evidence listed in the preceding point determine a different place of supply.

The tax authorities may, in turn, rebut any of the presumptions described where there are indications of misuse or abuse by the supplier.

Lastly, there is a use and enjoyment rule set out in article 70. Two of the VAT Law that applied to electronic services provided both to private individuals and traders or professionals. This closing rule meant that electronic services would be subject to Spanish VAT when, under the general place-of-supply rules, they were not deemed made in the EU, the Canary Islands, Ceuta or Melilla, but they were effectively used or utilized in such territory.

This rule was modified as from January 1, 2023, by means of the 2023 General State Budget Law 31/2022 of December 23, 2022, which eliminated its application to services provided electronically.

On the other hand, it is worth examining the rules governing the place of supply of the increasingly important live streaming services.

In this context, the change introduced by Directive 2022/542 in certain place-of-supply rules contained in the VAT Directive, means that, starting January 1, 2025, the services of live streaming or virtual access to cultural, artistic, sporting, scientific, educational, recreational or similar events and performances will be subject to VAT in the place where the recipient of the service is established.⁵

⁵ It should be noted that, before 2025, virtual access to these types of events which were not considered electronically supplied services for VAT purposes was subject to VAT in the territory where the event physically took place, in accordance with the special place-of-supply rule contained in article 70 of the VAT Law.

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To date, Spain has not adapted its national legislation to this new destination-based place-of-supply rule established for the above-mentioned streaming services, as article 70 of the Spanish VAT Law, which regulates special place-of-supply rules, has not been amended.

However, in 2024, the DGT held in several binding rulings that these new place-of-supply rules would apply in the territory of application of VAT (among others, in its binding rulings V2307-24, of November 5, V1136-24, of May 23, V1722-24 and V1723-24, of July 15).

In particular, the DGT has concluded that this rule will apply regardless of whether the streaming services are considered electronically supplied and whether the recipient is a trader or professional acting as such, or a final consumer.

3.3.1.3 SPECIAL SCHEMES APPLICABLE TO ELECTRONIC SERVICES

Directive 2002/38 created a special regime applicable to electronic services provided by traders or professionals not established in the EU to final consumers in the EU (the Non-Union Scheme). The scope of this special scheme was extended, as from January 1, 2015, to cover services provided to private individuals by operators established in the EU, but not in the Member State of consumption (the Union Scheme).

The schemes in question, which are optional for the traders by whom such services are provided, are aimed at simplifying their obligations, so that traders only have to register (electronically) in one Member State, although they will have to charge the VAT relating to each of the jurisdictions where their customers are located and pay it over (also by telematic means) to the tax authorities of the Member

State in which they are registered. Subsequently, that Member State will reappropriate the VAT collected among the other Member States.

The “mini one stop shop” system was created for this purpose, to allow the taxable person to file in the Member State of identification a single return which includes transactions addressed to final consumers of different Member States.

Similarly, Regulation 282/2011 establishes certain special VAT management rules in the case of exclusion from the scheme, rectification of VAT returns, impossibility of rounding off the VAT payable, etc.

Summarized below are the main characteristics of each of these schemes:

- **The Non-Union scheme**

This scheme may be applied by traders or professionals who are not established in the EU and provide electronic services to final consumers in the EU.

The trader is required for these purposes to register in a Member State (the “MS of identification”), in which it must comply with the obligations deriving from the scheme. If the Member State of identification is Spain, the corresponding returns declaring the commencement, change or cessation of operations covered by the scheme — form 035 — must be presented, VAT returns must be filed electronically, the corresponding amount of VAT must be paid in, a register of operations included under the scheme must be kept, etc.

Non-established traders or professionals that apply this special regime in Spain will be entitled to a refund of input VAT in accordance with the refund procedure for non-established

traders, without being subject to the reciprocal treatment requirement generally established in the legislation.

- **Union Scheme**

This scheme is available to traders who provide electronic services and are established in the EU but not in the Member State of consumption.

In this case, the Member State of identification is the place where the trader's main place of business is located or, if this is outside the EU, the place where it has a fixed establishment. If the trader has more than one fixed establishment, it can choose the Member State of identification.

If the Member State of identification is Spain, the corresponding returns declaring the commencement, change or cessation of operations covered by the special scheme — form 035 — must be presented, VAT returns must be filed in respect of these services, the VAT must be paid in, a register of operations included under the scheme must be kept, etc.

It should be noted that traders established in a Member State cannot apply these special schemes in respect of technological services provided in the Member State in which they themselves are established.

VAT charges borne for the provision of technological services can be deducted either through the general procedure or via the procedure envisaged for traders established in another EU Member State.

For these purposes, where Spain is the Member State of identification, VAT borne in Spanish territory must be deducted in the returns filed under the general VAT regime.

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If Spain is the Member State of consumption, the deduction procedure is that envisaged for non-established persons in article 119 of the VAT Law.

3.3.2 THE NEW TREATMENT APPLICABLE TO DISTANCE SALES OF GOODS AND CERTAIN DOMESTIC SUPPLIES OF GOODS AND NEW ONE STOP SHOP SCHEMES

As mentioned above, a package of EU measures — established in Directives 2017/2455 and 2019/1995 — came into force with effect as from July 1, 2021. These will be applicable primarily to distance sales of goods and certain imports and will make it possible to pay VAT in the Member State of identification through the “one stop shop”.

These EU measures were transposed into Spanish legislation⁶ during 2021. We describe below the main changes introduced within the offline e-commerce framework:

- As a general rule, **distance sales** made from one Member State to another, to recipients who are not acting as traders or professionals are deemed subject to VAT in the Member State of destination.

Taxation will nevertheless take place in the Member State of origin where the following requirements are met:

- The seller is established in a single Member State.
- Total distance sales for the year do not exceed €10,000, with provisions of telecommunications services, broadcasting and television services and services provided electronically also being taken into account for these purposes.

In any event, the rule envisages the possibility of opting voluntarily for taxation in the Member State of destination.

- A special one stop shop scheme – “Union Scheme” — was introduced to simplify the self-assessment and paying-in of VAT, and this is similar to that already in place for digital services, as referred to above. The filing of a single quarterly return in the Member State of identification was envisaged for these purposes, including all intra-EU distance sales of goods.
- A new **special scheme was introduced for distance sales of goods imported from third countries** – the “Import scheme” — which are not subject to special taxes and whose intrinsic value does not exceed €150. Over and above this value, a full customs declaration is required at the time of importing the goods.

The general rule under this scheme is that the place of supply will be the Member State of destination of the goods and that the import of the goods will be exempt in order to avoid double taxation. A one stop shop system with a monthly return in the Member State of Identification is also envisaged.

Lastly, VAT relief (exemptions) on imports of goods of negligible value — which had been set at €22 — was eliminated. As a result, since July 1, 2021, imports have been subject to and not exempt from VAT whatever their value.

- In certain cases, **the operators of the electronic interface are responsible for payment of the VAT** (on the understanding that they act as intermediaries in the sale in their own name).

In particular, it is established that a trader who facilitates certain sales through the use of electronic interfaces (online marketplace, platform, portal or similar) has itself received and supplied the goods in the following situations:

- Distance sales of imported goods in consignments with an intrinsic value not exceeding €150.
- Supply of goods made within the EU by traders not established in the EU to private individuals.

In this way, when the interface is understood to have facilitated the sale, two supplies of goods take place: (i) that made by the supplier of the goods to the trader who facilitates the sale via the electronic interface and (ii) the supply made by such trader to the private individual.

3.3.3 NEW REGIMES APPLICABLE TO SERVICES PROVIDED BY TAXABLE PERSONS NOT ESTABLISHED IN THE MEMBER STATE OF CONSUMPTION

In addition to the one stop shop schemes referred to in previous sections, Directive 2017/2455, since July 1, 2021, has envisaged the possibility of including in the Union Scheme services provided by traders or professionals established in the EU but not in the Member State of consumption, to recipients who are not classed as traders or professionals acting in their capacity as such, following identification for this purpose in the Member State of their choice.

⁶ We refer, specifically, to Royal Decree-Law 7/2021, of April 27, 2021 on the transposition of European Union directives on competition, anti-money laundering, credit institutions, telecommunications, tax measures, environmental damage prevention and remediation, posting of workers in the framework of the transnational provision of services and consumer protection; to Royal Decree 424/2021 of June 15, 2021 amending, inter alia, the VAT Regulations (Royal Decree 1624/1992), and the Billing Regulations (Royal Decree 1619/2012).

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Similarly, services provided by taxable persons not established in the EU who provide services to recipients who are not classed as EU traders or professionals would come under the Non-Union Scheme.

3.3.4 DETERMINATION OF THE VAT RATES APPLICABLE TO THE VARIOUS TYPES OF E-COMMERCE

In keeping with the view held by the Spanish tax authorities, the standard VAT rate of 21% will apply in all cases, since it is a kind of service for which the VAT Law makes no special provision.

In the case of electronic books, newspapers and magazines, however, the legislation envisages, as from April 23, 2020, the application of the super reduced VAT rate (of 4%) when such publications are not made up solely or primarily of advertising and do not consist entirely or mainly of audible video or music contents, and supplementary items supplied along with them for a single price.

3.3.5 FORMAL OBLIGATIONS AND MANAGEMENT OF TAXES

Both the EU and the Spanish tax authorities ascribe to the principle that this form of commerce should not be hindered by the imposition of formal obligations that reduce the speed with which transactions should be performed.

Of particular relevance in this regard are the rules already contained in Council Regulation (EEC) No 1798/2003 on administrative cooperation in the field of Value Added Tax, which, among other matters, provides that individuals and legal entities involved in intra-Community transactions can access the databases kept by the

tax authorities of each Member State. This possibility of identifying reliably the status under which the recipient is acting (trader, professional or final consumer) is absolutely decisive for the proper tax treatment of each transaction.

Royal Decree 1619/2012, approving the Regulations on Invoicing Obligations, establishes the legal regime applicable to electronic invoices, which are defined as invoices that have been issued and received in electronic format without the use of a certain technology being required. This Royal Decree supersedes its predecessor, Royal Decree 1496/2003, and stipulates that paper and electronic invoices are treated similarly. In addition, it permits invoices to be kept in an electronic format provided that the conservation method ensures the legibility of the invoices in the original format in which they were received, and the data and mechanisms that guarantee the authenticity of their origin and the integrity of their contents.

The requirements that must be met by electronic invoices are as follows:

- The recipient must have given his consent.
- The invoice must reflect the reality of the transactions documented in it and guarantee this certainty throughout its period of validity.
- The authenticity, integrity and legibility of the invoice must be ensured.

These aspects must be guaranteed by any legally admissible proof and, in particular, through the “usual management controls over the business or professional activity of the taxable person” which must enable the creation of a reliable audit trail establishing the necessary connection between the invoice and the supply of goods or services documented in it.

The authenticity of the origin and integrity of the contents will, in all cases, be guaranteed by:

- The use of an advanced electronic signature based either on a qualified certificate and created using a secure-signature-creation device, or on a qualified certificate.
- An EDI that envisages the use of procedures that guarantee the authenticity of the origin and integrity of the data.
- Other means that have been communicated prior to their use and validated by the authorities.

In relation to the issue of invoices, Royal Decree 1512/2018 of December 28, 2018, which amends – inter alia - the VAT Regulations, stipulates that the legislation applicable to invoices issued by taxable persons who have elected to apply the special single one-stop shop regimes for telecommunications, radio and television broadcasting services and services provided electronically - which had previously been the legislation of the Member State of consumption - shall now be that of the Member State of identification. This avoids the taxable person being subject to different legislative regimes in relation to billing.

Accordingly, the aforementioned Royal Decree 1512/2018 of December 28, 2018, amends the Billing Regulations and clarifies that Spanish billing rules shall be applicable when Spain is the Member State of Identification of the provider of electronic services.

Moreover, the entry into force on July 1, 2021 of the provisions of Directive 2017/2455 will result in the elimination of the obligation to issue an invoice in distance sales for which this was previously required in accordance with the billing obligations applicable in the Member State of destination of the goods.

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On the other hand, regarding to formal obligations, it must be noted that since July 1, 2017, taxable persons who have to file monthly VAT returns (generally, those whose turnover in the previous year exceeded €6,010,121.04, any taxable person registered in the monthly refund scheme, and any taxable person applying the VAT grouping regime) have also been required to keep their business records on the website of the Spanish tax agency (AEAT) by electronically providing the information requested therein, together with some additional data of the invoices (but not the invoices themselves).

Under this system (generally known as SII), taxable persons will have to submit the information related to invoices issued within 4 calendar days from the date of issuance. If they are invoices issued by the recipient or by a third party, a longer time period of 8 calendar days is allowed. In both cases, subject to a limit ending on the 16th day of the month following that in which VAT on the transaction became chargeable.

Invoices received must also be reported within 4 calendar days, in this case from the date when they are recorded in the accounts. A limit is laid down, also ending on the 16th day of the month following the assessment period in which the transactions are included. A similar rule applies to import transactions.

Saturdays, Sundays and public holidays are excluded from the calculation of the time periods.

The above notwithstanding, in the case of taxable persons who apply the special regime for telecommunications, radio and television broadcasting services and services provided electronically, it is not necessary to record the operations performed under this special regime in VAT registers. Instead, a specific register must be kept, containing a series of special fields:

- a. "the Member State of consumption in which the service is provided,
- b. the type of service provided,
- c. the date of provision of the service,
- d. the taxable amount, indicating the currency used,
- e. any subsequent increase or reduction of the taxable amount,
- r. the tax rate applied,
- g. the amount of tax owed, indicating the currency used,
- h. the date and amount of payments received,
- i. any advance received prior to the provision of the service,
- j. the information contained in the invoice, if this has been issued,
- k. the name of the customer, where available,
- l. the information used to determine the place where the customer is established, or its domicile or habitual place of residence".

It is also important to consider the recently introduced legislation in relation to electronic invoicing.

On the one hand, Royal Decree 1007/2023 of December 5, 2023 (known as the "Veri*factu Regulation") and Order HAC/1177/2024, of October 17, 2024, implement the billing obligations established in Law 11/2021 on measures to prevent and combat tax fraud and set out the requirements to be met by computer or electronic systems and programs used in the billing processes of traders and professionals, and for the standardization of billing record formats.

The content of this Regulation does not apply to taxable persons who keep their VAT records through the SII system.

In accordance with the Regulation, persons under this obligation must have computer systems which meet the characteristics and requirements established in the regulations in operation by July 1, 2025.⁷

On the other hand, Law 18/2022 (known as the "Create and Grow Law") introduced the obligation to issue, as a general rule and with

some exceptions, electronic invoices in transactions taking place between traders and professionals (B2B).

This electronic invoicing obligation was made subject to the approval of the Regulation implementing the content of Law 18/2022. There is currently a Draft Royal Decree addressing its implementation which is pending approval.

The provisions contained in the Royal Decree will come into force, for traders whose turnover in the immediately preceding calendar year exceeded €8 million, 12 months after its publication in the Official State Gazette (24 months in the case of other traders). In line with the above, within the EU, the VAT in the Digital Age (ViDA) package was adopted on March 11, 2025, which provides for gradual changes from 2025 until 2035 to achieve, among other issues, the complete harmonization of national electronic invoicing systems. Specifically, with effect from the adoption of the aforementioned package, Directive 2006/112 has been amended, enabling Member States to introduce electronic invoicing under certain conditions.

3.3.6 TAX ON CERTAIN DIGITAL SERVICES

The preamble to the Law approving the TCDS reminds us that the creation of this tax is temporary until the OECD completes its works to adapt the international tax system to the digitalization of the economic, through the "re-allocation of taxing rights to market countries or territories when participating in the economic activity, without the need for a physical presence, creating a new nexus for that purpose", in clear reference to pillars 1 and 2 of the OECD.

⁷ However, following the publication of the Order, a prior public consultation process was initiated on the amendment of the Veri*factu Regulation, in order to change its entry into force and postpone it until January 1, 2026 for taxpayers subject to corporate income tax, and until July 31, 2026 for the rest of the taxpayers subject to Veri*factu, among other amendments.

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The TCDS charges taxes to companies whose global net revenues in the preceding calendar year are above €750 million and that obtain revenues in Spain (also in the preceding calendar year) of at least €3 million derived from the provision of online advertising services, online intermediation services or the transfer of data generated on the basis of information provided by the user of digital interfaces.

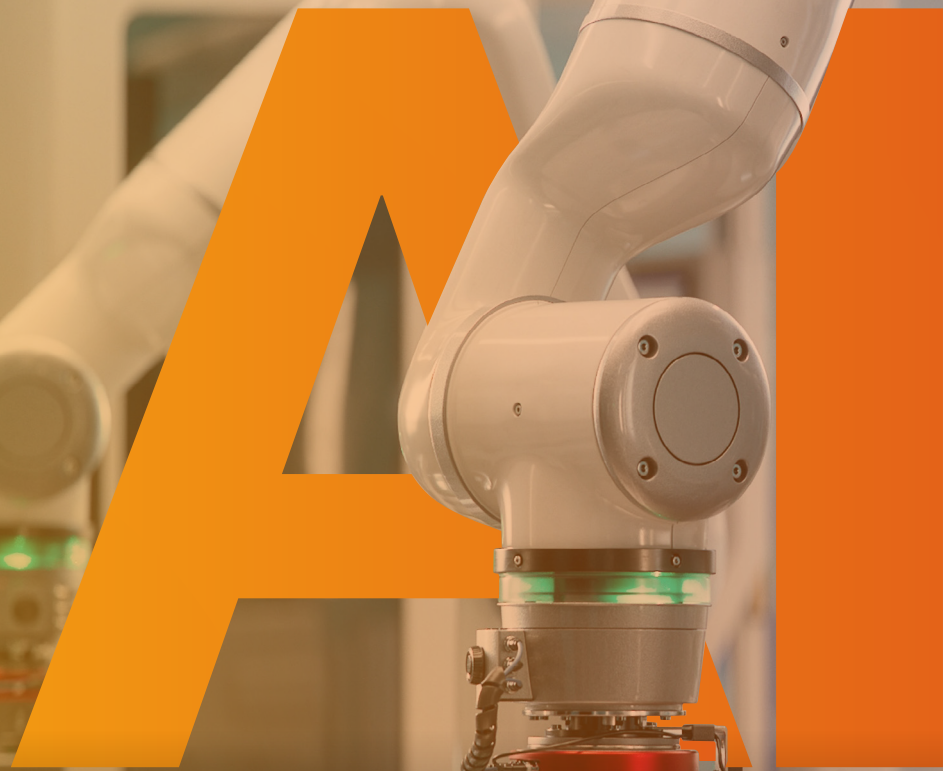
The tax rate at 3%, and the scope of the tax excludes sales of goods or services between users in the context of an online intermediation service, and sales of goods or services contracted online on the website of the supplier of those goods or services in which the supplier does not act as intermediary. The tax will be assessed every three months as stipulated in the Order of June 9, 2021, approving the self-assessment tax form (i.e., Form 490) for payment of the aforementioned tax.

Digital services will be subject to TCDS in Spain to the extent that supplies of such services are deemed to take place in this country based on the rules determining the location of users' devices, as set out in the legislation by which the tax is regulated. Royal Decree 400/2021 of June 8, 2021, was published for this purpose, expanding upon these rules on the location of devices.

The DGT, in its Ruling of June 25, 2021, has sought to provide clarification and greater legal certainty in the interpretation of the elements and criteria relating to this tax, focusing on the following concepts:

- Online advertising services.
- Online intermediation services.
- General instances of non-subjection.
- Accrual and taxable amount.

The Tax Agency makes available to taxpayers a catalog of frequently asked questions.





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Company and commercial law

This annex explains the basic legislative aspects that govern the various vehicles, corporate or otherwise, that can be used by foreign investors in order to operate in Spain. Specifically, it covers the legal requirements that must be observed for both formation (minimum capital and the time at which it must be paid, minimum

number of members, requirement to be met by the bylaws, etc.), and the subsequent pursuit of its business (rules governing the adoption of business resolutions, powers of the managing body, the rules on liability of partners and shareholders, etc.).

1. Applicable legislation



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Legislative Royal Decree 1/2010, of July 2, 2010, approving the Revised Capital Companies Law (hereinafter, the **Capital Companies Law**), constitutes the basic legal text that regulates the various legal forms of capital companies envisaged in Spanish law, i.e., the corporation (S.A.), the limited liability company (S.L.), the partnership limited by shares, and the European company (S.E.), as well as the main special features of listed corporations.

The Capital Companies Law is supplemented by (i) Royal Decree 1784/1996, of July 19, 1996, approving the Commercial Registry Regulations, (ii) Royal Decree-Law 5/2023 of June 28, for the adoption and extension of certain measures in response to the economic and social consequences of the war in Ukraine, the support of the reconstruction of the island of La Palma and other situations of vulnerability, the transposal of European Union directives on structural changes in commercial companies and the reconciliation of family and professional life for parents and carers, and the implementation and enforcement of European Union law (hereinafter **LME**), which regulates, amongst others, business restructuring processes under current commercial law practices, including changes in corporate form, mergers, spin-offs, global transfers of assets and liabilities and international transfers of registered offices, (iii) the Royal Decree of August 22, 1885, approving the Commercial Code, and (iv) Law 2/2007 on Professional Services Firms, which regulates the formation of commercial undertakings by members of professional associations (see [section 9 of this Annex](#)). These texts constitute the core legislation in the area of Spanish company and commercial law.

2. Forms of business enterprise

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Spanish law envisages various different kinds of business enterprises, all of which can be used by foreign investors.

The most significant are:

- Corporation (*Sociedad Anónima*, abbreviated as “S.A.”).
- European Public Limited-Liability Company (*Sociedad Anónima Europea*, abbreviated as S.E.). Possibility offered by EU legislation to companies that operate in various Member States to create a single company capable of operating in the EU in accordance with a single set of rules and a unified management system.
- Limited Liability Company (*Sociedad de Responsabilidad Limitada*, abbreviated as S.L. or S.R.L.).
- General Partnership (*Sociedad Regular Colectiva*, abbreviated as S.R.C. or S.C.).
- Limited Partnership (*Sociedad en Comandita*, abbreviated as S. en Com. Or S. Com.) or Limited Partnership by Shares (*Sociedad en Comandita por Acciones*, abbreviated as S. Com. p. A.).
- Professional Services Firm (*Sociedad Profesional*, abbreviated as S.P.)¹, the purpose of which is the common pursuit of an activity regulated by professional association, and which may be formed in accordance with any of the corporate forms legally established under their specific legislative provisions.

The corporation (S.A.), which is the archetypal trading company and has traditionally been the most commonly used form, has become less popular and today the most common form of trading company is the limited liability company (S.L.). The reasons for this include the fact that a limited liability company requires less capital

than an S.A. However, the limited partnership and the general partnership forms are hardly used at all.

Some of the salient features of each of the above corporate forms are summarized below. It should be noted that in many instances the Law provides only minimum applicable standards or general rules. The founders of a company have a great deal of flexibility when it comes to tailoring the structure of the company to their specific needs through the inclusion of certain clauses in the bylaws, for which they should seek the appropriate legal advice.

¹ The corporate name of this kind of firm should include, together with the corporate form in question, the expression “Professional” or the abbreviation “P”, (for example, Sociedad anónima profesional [Professional corporation] or S.A.P.).

3. The treatment of liability at the types of business enterprises



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The following table summarizes the liability regime governing shareholders and partners at the various business enterprises:

CORPORATE FORM	LIABILITY
Corporation (S.A.) / Limited Liability Company (S.L.)	The liability of the shareholders is generally limited to the amount of the capital stock contributed by each of them. However, in exceptional circumstances, liability may be sought from shareholders in order to protect the interests of third parties. In these exceptional cases, the courts have followed the doctrine of "piercing the corporate veil" (<i>levantamiento del velo</i>) as a reaction to misconduct by the shareholders while fraudulently sheltering behind the company's legal personality, in such event, the courts may look behind it and not differentiate between the company's assets and those of each of the shareholders when establishing liability.
General partnership (S.R.C.)	Liability is not limited. General partners are personally and jointly and severally liable with the whole of their net worth for the debts of the partnership.
Limited partnership (S. Com)	There is at least one general partner and one or more limited partners. General partners are personally and jointly and severally liable with the whole of their net worth for the debts of the partnership. Limited partners are only liable for the amount of capital they contribute or promise to contribute to the partnership. The capital of limited partnerships may be divided into shares.
Professional services firm (S.P)	The professional members will be jointly and severally liable with the firm for its professional acts, and they will be subject to such general rules on contractual and non-contractual liability as may apply.

Notwithstanding the above, Organic Law 5/2010, of June 22, 2010, amending Organic Law 10/1995, of November 23, 1995, on the Criminal Code, introduced into Spanish law the criminal liability of legal entities in certain activities and cases (among others, for example, trafficking in human beings, discovery and disclosure of secrets, fraud, criminal insolvency, damage to others' property, offenses against intellectual and industrial property, the market and consumers, concealment of criminal property and money laundering, money laundering offenses against the tax and social security authorities, foreign citizens' rights, offenses against zoning and urban planning, offenses against natural resources and the environment, bribery, influence peddling or corruption in international commercial transactions).

4. Main characteristics of corporations and limited liability companies



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This section summarizes some of the major substantive aspects that commonly interest foreign investors with respect to the most widely used forms of business entity in Spain, the S.A. and the S.L.

4.1 MAIN DIFFERENCES BETWEEN CORPORATIONS AND LIMITED LIABILITY COMPANIES

The main differences between S.A.s and S.L.s are as follows:

	S.A.	S.L.
Minimum capital stock	€60,000.	€1 ² .
Payment upon formation	At least 25% and any share premium.	Payment in full.
Contributions	A report from an independent expert on any non-monetary contributions is required³. The value stated in the deed recording the contribution may in no case be higher than the valuation performed by the expert. In the case of monetary contributions, their actual existence must be evidenced to the authorizing notary by means of a certificate of deposit at the credit institution of the corresponding amounts in the name of the company or entity.	
	No report from an independent expert on non-monetary contributions is required, although the founders and shareholders are jointly and severally liable for the authenticity of any non-monetary contributions made⁴.	

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- 2 Law 18/2022, of September 28, 2022, on the creation and growth of companies (the **Create and Grow Law**) was approved in 2022 and reduced the minimum capital stock required to form a limited liability company to €1. However, where the capital stock of limited liability companies is less than €3,000: (i) a legal reserve must be recorded of at least 20% of income until the sum of the legal reserve and the capital stock amounts to €3,000, and (ii) the shareholders must be jointly and severally liable with the company, up to the amount of the difference between the subscribed capital stock figure and €3,000 if, in the event of liquidation, the net worth of the company is insufficient to cover the company's payment obligations.
- 3 The expert report is not required, but the substitute report from the directors is required in the following cases:
 - a. contribution of transferable securities that are listed on an official secondary market or on another regulated market or in money market instruments, in which case they will be valued at the weighted average price on one or more regulated markets in the last quarter preceding the date on which the contribution was actually made, with the certificate issued by the relevant governing company.
 - b. contribution of assets other than those indicated in letter a) above the fair value of which has been determined, within the 6 months preceding the date on which the contribution was actually made, by an independent expert not appointed by the parties.
 - c. where in the formation of a new company by merger or spin-off a report has been prepared by an independent expert on the merger or spin-off plan.
 - d. where the increase in share capital is carried out to deliver the new S.A. or S.L. shares to the shareholders of the absorbed or spun-off company and a report has been prepared by an independent expert on the merger or spin-off plan.
 - e. where the increase in share capital is carried out to deliver the new S.A. shares to the shareholders of the company that is the target of a tender offer.
- 4 Nevertheless, those shareholders whose non-cash contributions are subject to expert valuation in accordance with the provisions for S.A.s shall be excluded from joint and several liability for the authenticity of their contributions (art. 76 LSC).

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S.A.

S.L.

Shares	They are marketable securities. Debentures and other securities can be issued.	They are not marketable securities. Debentures and other securities can be issued.
Transfer of shares	Depends on how they are represented (share certificates, book entries, etc.) and on their nature (registered or bearer shares). In principle, they may be freely transferred, unless the bylaws provide otherwise, and provisions that render the shares practically non-transferable are null and void.	Must be recorded in a public document. S.L. shares are generally not freely transferable (unless acquired by other shareholders, spouse, ascendants, descendants or companies within the same group). In fact, unless otherwise provided in the bylaws, the law establishes a preemptive acquisition right in favor of the other shareholders or the company itself in the event of a transfer of the shares to persons other than those referred to above.
Amendments to the bylaws	The directors or shareholders, as the case may be, making the proposal must make a report.	No report is required.
Venue for shareholders' meetings	As indicated in the bylaws (in any event, it must be in Spain). Otherwise, in the municipality where the company has its registered office.	
Attendance and majorities at shareholders' meetings	Different <i>quorums</i> and majorities are established for meetings on first and second call and depending on the content of the resolutions. These can be increased by the bylaws.	Different majorities are established depending on the content of the resolutions. These can be increased by the bylaws.
Right to attend shareholders' meetings	A minimum number of shares may be required to attend the shareholders' meeting, which may not be greater than one thousandth of the share capital.	This right cannot be restricted.
Number of members of the board of directors	Minimum: 3. No maximum limit.	Minimum: 3. A maximum of 12 members.
Term of the office of director	Maximum 6 years (4 years at listed companies). They may be reelected for periods of the same maximum duration.	May be indefinite.
Issue of bonds	Bonds and other securities may be issued. Bond issues may be used as a means to raise funds. Bonds convertible into shares can be issued and guaranteed.	Bonds and other securities may be issued. Bond issues can be used as a way of raising funds, although such issues cannot, in total, amount to more than twice the company's equity, unless the issue is secured by a mortgage, a pledge of securities, a government guarantee or a joint and several guarantee provided by a credit institution. If the issue is secured by a joint and several guarantees provided by a mutual guarantee society, the limit and other terms of the guarantee will depend on the guarantee capacity of such society at the time of providing it, in accordance with the specific rules applicable to it. Bonds convertible into S.L. shares can be neither issued nor guaranteed.



4.2 FORMATION AND CAPITAL STOCK

	S.A.	S.L.
1		€1, fully subscribed and paid in. In the case of companies whose capital stock is less than €3,000, the following is required to safeguard the creditors' interests:
2	Minimum capital stock	€60,000, fully subscribed and at least 25% of the par value of the shares paid in ⁵ .
3		i. legal reserve must be recorded of at least 20% of income until the sum of the legal reserve and the capital stock amounts to €3,000, and ii. the shareholders must be jointly and severally liable with the company, up to the amount of the difference between the subscribed capital stock figure and €3,000 if, in the event of liquidation, the net worth of the company is insufficient to cover the company's payment obligations.
4	Debt ratios	There are currently no mandatory minimum debt-to-equity ratios under Spanish law for any type of business enterprise. Nevertheless, the tax law does foresee a restriction on the deductibility of financial costs (see chapter 3, section 2). Moreover, certain legal requirements may be applicable to companies operating in regulated sectors.
5		There must be a certain balance between the capital stock and the net worth of a company, meaning that if losses incurred reduce the net worth to less than one-half of the capital stock figure, the company will be subject to mandatory grounds for dissolution (article 363.1 of the Capital Companies Law), unless the capital stock is sufficiently increased (or reduced) and provided that it is not necessary to petition for insolvency pursuant to Insolvency Law 22/2003, of July 9, 2003.
6		However, by virtue of Royal Decree-Law 1/2025, of January 28, 2025, losses from the effects caused by the DANA flash floods ⁶ will not be taken into account when determining whether the company is subject to a ground of mandatory winding-up. Consequently, the notes to the financial statements for 2024 and subsequent years must include the information necessary to correctly identify the losses excluded from the calculation made for the purposes of the ground for winding-up.
7	Special rules on mandatory winding up or capital reduction	In addition, by virtue of article 13 of Law 28/2022, promoting the start-up ecosystem (known as the Start-ups Law), the ground of winding-up due to losses will not apply to start-ups (meaning companies that meet the requirements set out in article 3 of the same law, which were developed by means of Order PCM/825/2023) whose net worth has been reduced to less than one-half of the capital stock, provided that it does not arise from petitioning for an insolvency order, until 3 years have elapsed since the start-up was formed.
AI		Capital must be reduced at a corporation where losses have reduced the net worth of the corporation to less than two-thirds of its capital stock figure and one fiscal year has elapsed without its net worth having been restored (article 327 of the Capital Companies Law).
AII		
AIII	Number of shareholders	No minimum number of shareholders is required by Spanish law to incorporate a company, although sole shareholder companies are subject to a special system of disclosure. Shareholders can be individuals or companies of any nationality and residence.

⁵ Nonetheless, bear in mind that:

- When the capital stock is not fully paid in, the bylaws must state the manner and time period for the payment of the remaining portion of subscribed capital. No maximum time period for payment of outstanding capital by contributions in cash is stated in the Law but 5 years is the maximum term for full payment of contributions in kind. However, a capital increase by way of cash contributions will not be permitted at a corporation where there is unpaid capital due from shareholders that amounts to more than 3% of the capital stock.
- The specific regulations governing certain activities (banking, insurance, etc.) may require that the minimum amount under the Capital Companies Law be exceeded.

⁶ This refers to the DANA addressed in the Decision of the Council of Ministers of November 5, 2024, declaring the territory devastated as a result of the high-altitude isolated depression (*Depresión Aislada en Niveles Altos* or *DANA*) that affected broad areas of the Spanish mainland and the Balearic Islands between October 28 and November 4, 2024, to be a "Zone seriously affected by a civil protection emergency".

As an exception to the general rule of minimum capital of €3,000 that applies to limited liability companies, Law 14/2013, of September 27, 2013, on support to entrepreneurs and their internationalization (the “Entrepreneurs Law”) amended the Capital Companies Law to regulate the concept of the “Entrepreneurial Limited Liability Company”, which can have capital lower than €3,000 subject to the following requirements:

No.	REQUIREMENTS
1	Continued submission to the entrepreneurial limited liability company regime: • In the bylaws. • The Commercial Registrar will automatically state this circumstance in the clearance notes for any registrable documents and any certificates that are issued.
2	Legal reserve: At least 20% of the income for the fiscal year must be allocated to the re-serve without any limit on the amount.
3	Distribution of dividends: Once the legal and bylaw reserves have been covered, dividends may be distributed to the shareholders only if the net worth is not or, as a result of the distribution, does not become, lower than 60% of the minimum legal capital.
4	Compensation to shareholders and directors: The sum of the compensation paid to the shareholders and directors for dis-charging such offices may not exceed 20% of the net worth for the year in question, notwithstanding the compensation to which they may be entitled as self-employed workers or for the provision of professional services.
5	Liquidation: In the case of voluntary or mandatory liquidation, if the net worth of the com-pany is insufficient to pay its obligations, the shareholders and directors of the company will be jointly and severally liable for the payment of the mini-mum capital figure stipulated in the Capital Companies Law.
6	Substantiation of monetary contributions: It will not be necessary to substantiate the existence of the monetary contri-butions from the shareholders when forming entrepreneurial limited liability companies, as the founders and those who acquire the shares subscribed in the formation will be jointly and severally liable to the company and its credi-tors for the existence of such contributions.

4.2.1 FORMALITIES FOR FORMATION

The shareholders (or their representatives) must appear before a notary in order to execute the public deed of formation of a corporation or limited liability company. Subsequently, the deed of formation must be registered at the Commercial Registry. Upon registration, the company acquires legal personality and legal capacity⁷.

By virtue of Law 11/2023 of May 9, 2023, limited liability companies may be set up using the fully online procedure, provided that the members' contribution to the share capital is made in cash⁸.

4.2.2 CONTRACTS MADE IN THE CORPORATION'S NAME PRIOR TO REGISTRATION

The formation of an S.A. or an S.L. is a two-step process involving, as noted, execution of a public deed before a notary and registration at the Commercial Registry. It is only after registration of the public deed of formation that the corporation acquires legal personality and legal capacity. Persons who enter into contracts for and on behalf of the corporation prior to its registration are jointly and severally liable for their performance, unless such performance was made conditional on the corporation's registration and, if applicable, on later assumption by the corporation of compliance with their terms. Contracts made in the corporation's name and on its behalf may generally be ratified by the corporation prior to its registration at the Commercial Registry or within three months of registration.

However, a corporation in the process of formation and its shareholders (but not its directors or representatives) are liable, up to the limit of the amount they have undertaken to contribute, for the following types of contract prior to registration:

- Contracts that are essential for registration of the company.
- Contracts entered into by the directors within the scope of the powers granted to them in the pre-registration stage.
- Contracts entered into by virtue of a specific mandate granted by all the shareholders.

Upon registration, the corporation becomes bound by the foregoing acts and contracts.

In these cases, and if the corporation ratifies acts performed prior to its registration within 3 months of the date of registration, the joint and several liability of the shareholders, directors or representatives lapses.

Moreover, it should be noted that directors will be deemed to have authority to fully pursue the corporate purpose and to perform and make all kinds of acts and contracts if the date of commencement of the company's operations coincides with the date of execution of the deed of formation.

⁷ Moreover, there is an alternative little-used procedure for formation called “successive formation”, consisting of a public offering to subscribe shares prior to execution of the deed of formation. To this end, means such as advertising or financial intermediaries may be used.

⁸ As a general rule, the formation of a company may be carried entirely online, without the need for the founders to appear in person before a notary. However, the notary may require the physical presence of the interested party: (i) on a single occasion, and for reasons of public interest, in order to prevent any misrepresentation of identity, (ii) to fully verify the capacity of the granting party, and (iii) as the case may be, to check the effective powers of representation of the granting party. In such cases, the notary must indicate in the deed the reasons why the physical presence of the appearing persons was required. This physical presence will not prevent the remaining steps and elements of the electronic procedure for company formation from being completed electronically.

4.2.3 ACQUISITIONS FOLLOWING THE REGISTRATION OF A CORPORATION AT THE COMMERCIAL REGISTRY

In the case of corporations, in the 2 years following its formation, the shareholders' meeting must grant its prior approval for acquisitions of assets for consideration involving amounts in excess of 10% of the capital stock, unless such acquisitions are within the ordinary scope of business of the corporation or the purchase is made on a stock exchange or by public auction. Where prior approval of the shareholders' meeting is required, the following are basically necessary:

- Issuance of a report prepared by the directors that justifies the acquisition.
- An independent valuation by the expert appointed by the Commercial Registry.

4.3 COMPANY BYLAWS

An S.L. and an S.A. are governed by the Capital Companies Law and by their bylaws. The bylaws should therefore be drafted in accordance with the requirements of the above law and must at least include reference to:

Additionally, the public deed of formation, which includes the bylaws, may contain such agreements and covenants as the founders may deem fit, provided that they do not contravene any law or the fundamental principles that govern companies. Thus, the bylaws may include, inter alia, the following aspects:

- Duration of the company. The bylaws will ordinarily stipulate that the duration is indefinite in order to avoid triggering automatic dissolution.
- The date on which activities commence, which cannot be earlier than the date of execution of the public deed of formation (except in cases of re-registration).
- Restrictions, if any, on share transfers and the grounds for removal of any of the shareholders.
- Ancillary obligations, if any. If ancillary obligations are created, the bylaws must state the content of such obligations, whether or not they are remunerated, and the penalties, if any, for a breach thereof.
- The fiscal year-end. Where not expressly indicated, the company's fiscal year will be understood to end on December 31. The fiscal year may not exceed 12 months.
- Special rights reserved to founders or promoters, if any.

The power to amend the bylaws lies with the shareholders' meeting. As an exception, Royal Decree-Law 15/2017, of October, 2017, on urgent measures for the mobility of economic operators within the national territory, introduced the option of the managing body having the power to relocate the registered office within the national territory, unless stated otherwise in the bylaws (art. 285 of the Capital Companies Law).

MANDATORY REFERENCES

Corporate name	The corporate name must be included.
Corporate purpose	This should be stated in a concrete and precise manner, since: • It serves to establish the general framework for the activities of the company. • The completion of the stated purpose automatically leads to the dissolution of the company. If the corporate purpose is modified in such a way as to be entirely different, any dissenting shareholders and non-voting shareholders can withdraw from the company and are entitled to be reimbursed for their shares.
Registered office	Must be located in Spain.
Capital stock	Must indicate the capital stock, the shares into which it is divided, their par value and their sequential numbering. In the case of a limited liability company, the bylaws must state, if they are unequal, the rights that each share confers on the shareholders, and the amount or scope of such rights. In the case of a corporation, the bylaws must state the classes of shares and the series, if any, the portion of the par value not yet paid in and the method and deadline for paying it in, and if the shares are represented by certificates or book entries. If they are represented by certificates, it will be necessary to state if they are registered or bearer shares and if the issuance of certificates representing more than one share is envisaged.
Managing body	The management of the company can be entrusted to a sole director, a number of directors acting severally or jointly or a board of directors. Listed companies must be managed by a board of directors. The bylaws may establish different means of organizing the management, giving the shareholders' meeting authority to choose between any of them without the need to amend the bylaws. The bylaws must also indicate the number of directors or, at least, the maximum and minimum number, the term of office and the compensation system, if any. In the case of collective management bodies, the procedures for debating matters and adopting resolution must be specified.



4.4 TYPES OF SHARES

4.4.1 TYPES OF SHARES AT A CORPORATION

A distinction can be made between the following share categories:

Registered vs. bearer shares

The shares of an S.A. can be registered shares (the holder is the person designated in the certificate) or bearer shares (the holder is the bearer of the certificate). However, the shares must be registered in the following cases:

- If they are not fully paid in.
- If their transferability is subject to restrictions.
- If they are subject to ancillary obligations (see below).
- When so required by special regulations (i.e. shares of banks and insurance companies).

Common vs. preferred stock

Preferred stock may be created as a separate class or classes pursuant to the same procedural formalities applicable to bylaw amendments (i.e. *quorum* and voting requirements and method of calling the shareholders' meeting), and may include shares entitled to a preferential dividend.

In any event, issues of shares will not be valid in the following cases:

- Shares remunerated in the form of interest.
- Shares which directly or indirectly alter the proportionality between their par value and voting rights or the existing shareholders' preferential right to subscribe new shares in capital increases⁹.

Specific regulations on the issuance of preferred stock differ according to whether or not a company is listed on a stock exchange.

In the case of *listed companies*, the following obligations are established:

- Where the privilege consists of the right to obtain a preferential dividend, when distributable profits exist, the company is obliged to distribute such preferential dividend.
- The company bylaws must establish the consequences of any failure to pay some or all of the preferential dividend, whether or not it is cumulative as regards unpaid dividends, and the possible rights of holders of privileged shares in connection with any dividends to which the ordinary shares may be entitled.
- Higher ranking is provided for shareholders owning privileged shares, since collection of dividends by ordinary shares against the profits of one fiscal year is strictly prohibited until the preferential dividend for the same fiscal year has been paid.

In the case of *non-listed companies*, a more flexible system is in place, since there are no mandatory statutory rules making specific regulations in the bylaws obligatory. Nevertheless, the company is obliged to declare a dividend whenever distributable profits exist, unless otherwise provided for in its bylaws.

Shares issued with a premium

Shares may be issued with a premium payable to the company above their par value. In such cases the premium must be fully paid in upon subscription of the shares.

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⁹ | The issuance of loyalty shares is permitted at corporations precisely because they do not alter this proportionality.



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Non-voting stock

Non-voting stock may be issued for a total par value that does not exceed one-half of the total paid-in capital. The special rights attached to non-voting stock are as follows:

- Minimum annual dividend:

The minimum annual dividend shall be set by the bylaws as a percentage of the paid-in capital corresponding to each non-voting share. The minimum annual dividend and ordinary dividends are cumulative for a period of 5 years in the case of non-listed companies. In the case of listed companies this period will be indefinite. Accordingly, non-voting shares also participate in company profits proportionately with the other shares if an ordinary dividend is distributed.

- Preferential rights in liquidation:

In the event of liquidation of the company, non-voting shareholders rank above common shareholders with respect to their right to obtain reimbursement of the paid-in portion of their shares.

- Capital reduction:

If capital is reduced to offset losses, the reduction must first be applied against all other classes of stock before it can affect non-voting stock.

- Shareholder rights:

Non-voting stock has the same basic rights as common stock except for the right to vote at shareholders' meetings (see description of basic shareholder rights below).

However, under certain exceptional circumstances, holders of non-voting shares may acquire a transitional right to vote at shareholders' meetings. Two examples follow:

- Non-voting shareholders acquire the right to vote if the minimum annual dividend is not distributed.
- If, due to a capital reduction, all common shares are redeemed, then non-voting stock becomes voting stock until such time as equilibrium is restored between voting and non-voting stock (i.e. new common shares are issued in sufficient number so that the total par value of non-voting stock does not exceed one-half of the total paid-in capital). If equilibrium is not restored within 2 years, the company is subject to mandatory dissolution.

Redeemable shares

Redeemable shares are a type of preferred shares at listed companies, subject at all times to various terms and conditions.

Redeemable shares are those whose redemption or full or partial purchase by the issuer or by third parties is fixed in time or released at the discretion of the shareholder, according to the conditions of the issue, or those whose redemption or full or partial purchase by the issuer or by third parties is undertaken in any other manner, excluding that detailed above.

Shares with ancillary obligations

An ancillary obligation is an obligation to perform or refrain from performing certain acts. Ancillary obligations do not form part of the capital stock of the company.

The shares of an S.A. can only be paid for with money or assets and not with work or services. The ancillary obligation is a device whereby the work, services or other obligations of individual shareholders can be tied to the corporation.

4.4.2 SHARE CERTIFICATES

In general, shares of an S.A. may either be issued physically as certificates or recorded by a book-entry system. The conditions for recording shares under a book-entry system and the regulations governing this system are set out in Law 6/2023, of 17 March, on the securities market and investment services.

**4.5 BASIC RIGHTS OF CORPORATION
AND LIMITED LIABILITY COMPANY
SHAREHOLDERS**

The basic rights of shareholders are as follows:

- Right to share in corporate earnings and assets upon liquidation.
- Preferential right to subscribe new shares or convertible bond issues.
- Right to attend shareholders' meetings. At limited liability companies, the bylaws cannot require a minimum number of shares in order to attend meetings. Nonetheless, in the case of corporations, the bylaws may require that a minimum number of shares (regardless of their class or series) be held with

respect to all of the shares in order to attend shareholders' meetings, however the number required may not exceed one thousandth of the capital stock under any circumstances.

- Right to attend and vote at shareholders' meetings (except non-voting stock) and to challenge corporate resolutions.
- Right to obtain information about the company's affairs.
- Right of withdrawal: apart from in the cases established by the bylaws and in the cases of change of corporate form of the company or of relocation of the registered office, shareholders who have not voted for the relevant resolution, including shareholders without a vote, will be entitled to withdraw from the company in the following cases:
 - Replacement or material modification of the corporate purpose.
 - Extension or reactivation of the company.
 - Creation, modification or early termination of the requirement to perform ancillary obligations, unless provided otherwise in the bylaws.
 - Amendment of the rules on transferring shares in the case of limited liability companies.
 - In the event of a failure to distribute dividends, unless provided otherwise in the bylaws. Article 348 bis of the Capital Companies Law establishes a right of withdrawal for shareholders of limited liability companies or corporations (except for (i) listed companies or companies whose shares are admitted

to trading on a multilateral trading facility, (ii) companies in situations of insolvency or pre-insolvency, and (iii) sports corporations) in the event of a failure to distribute dividends once the fifth fiscal year since the company was registered at the Commercial Registry has elapsed, and (iv) credit institutions, credit financial establishments, investment services firms, payment institutions, electronic money institutions, financial holding companies and mixed financial holding companies.

The requirements for shareholders to be able to exercise this right of withdrawal (within one month after the shareholders' meeting was held) are as follows:

- a. The shareholder's protest due to the insufficiency of dividends recognized must be recorded in the certificate of distribution of income.
- b. The shareholders' meeting must not approve the distribution as a dividend of a least 25% of the income obtained in the preceding year where such income is legally distributable, provided that the company has not obtained income in the past 3 fiscal years.
- c. The total amount of dividends distributed in the past five years must be less than 25% of the legally distributable income recorded in that period.

Also, even if the above requirements are not met, this right of withdrawal is granted to the shareholder of the parent company of the group where the company in question is required to prepare consolidated financial statements, where: (i) the shareholders of the company do not approve the distribution as a dividend of at least 25% of the

consolidated income attributed to the parent company in the prior year, provided that it is legally distributable, and (ii) consolidated income attributed to the parent company has been obtained in the past 3 fiscal years.

4.6 GOVERNING BODIES

The governing bodies of a company (a limited liability company or a corporation) are the shareholders' meeting and the directors (who may or may not be organized as a board of directors, as explained below).

4.6.1 SHAREHOLDERS' MEETINGS

The shareholders' meeting is the supreme governing body of an S.A. or S.L.

The following table sets out the main aspects and characteristics of shareholders' meetings:

SHAREHOLDERS' MEETING

	Ordinary: an ordinary shareholders' meeting may be held as and when stipulated by the bylaws, provided it takes place within the first 6 months of the financial year, in order to review the management's conduct of the business and to approve, if appropriate, the financial statements of the prior year and the proposed distribution of profit. If the ordinary shareholders' meeting is not held within the legal term, it may be called, at the request of any shareholder and subject to a prior meeting with the directors, by the Court Clerk or the Commercial Registrar pertaining to the registered office.
Types	Special: any meeting of the shareholders other than an ordinary meeting is a special shareholders' meeting. A special shareholders' meeting may be called: • by the company's directors if and when they consider it in the company's interests to do so. • by the company's directors when requested to do so by shareholders representing at least 5% of capital stock. In this case, the directors must call the meeting so requested to be held within 2 months of the date of the notarial notification in such connection. • by a court if the directors disregard the notification referred to above.
Venue	The venue established in the bylaws. If the bylaws are silent on the venue, in the municipality where the registered office is located (a Spanish company must have its registered office in Spain). The bylaws may (i) provide for the possibility of attending shareholders' meetings virtually by electronic means that duly guarantee the identity of the attendee, and (ii) the holding of virtual-only shareholders' meetings (without the physical presence of the shareholders or their proxy-holders).
Attendance by directors at shareholders' meetings	In accordance with article 180 of the Capital Companies Law, directors must attend shareholders' meetings.
Meeting call	• The formal requirements for calling a meeting, which relate to publicity and advance notice, are the same for ordinary and special meetings. • Shareholders' meetings must be called by way of an announcement published on the website of the company where it has been created, registered and published on the terms provided for in the Capital Companies Law. Where the company has not resolved on the creation of its website or the website is not yet duly registered and live, the call must be published in the Official Commercial Registry Gazette and one of the large circulation newspapers of the province in which its registered office is located. • As an alternative to the call methods detailed in the preceding paragraph, the bylaws of corporations and limited liability companies with registered shares may provide for calls to be made by any form of individual, written notice ensuring the receipt of the notice by all of the shareholders at the address designated for such purpose or that recorded in the company documentation. In the case of shareholders residing abroad, the bylaws may provide that they will only be individually called if they have designated an address for notifications in Spain.
Universal shareholders' meetings	Regardless of the type of shareholders' meeting (ordinary or special), the formal call requirements need not be followed if shareholders representing one hundred percent of the capital stock are present and unanimously agree to hold a shareholders' meeting. Such meetings are called universal shareholders' meetings. S.L.: one third of the votes corresponding to the shares into which the capital stock is divided.
Quorum for meetings to be deemed to have been validly convened	S.A. • On 1st call: – General rule: where the attendees represent at least 25% of the voting capital stock (the bylaws may provide for a higher percentage). – Special resolutions: in order to validly resolve on a capital increase or reduction or any other amendment to the company bylaws, the issue of debentures, the elimination or limitation of preemptive acquisition rights over new shares, as well as reregistrations, mergers, spin-offs and the global transfer of assets and liabilities or the relocation of the registered office abroad, the shareholders present in person or by proxy must represent at least 50% of the subscribed voting capital stock. • On 2nd call (due to the absence of sufficient quorum on 1st call): – General rule: the meeting will be deemed to have been validly convened regardless of the percentage of the capital stock present or represented. – Special resolutions: in order to validly resolve on a capital increase or reduction or any other amendment to the company bylaws, the issue of debentures, the elimination or limitation of preemptive acquisition rights over new shares, as well as reregistrations, mergers, spin-offs and the global transfer of assets and liabilities or the relocation of the registered office abroad, the shareholders present in person or by proxy must represent at least 25% of the subscribed voting capital stock. • The company bylaws may provide for special requirements for meeting calls and <i>quorums</i> that may not be less than those required by the Capital Companies Law (those described above) under any circumstances.

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**Majorities for the
adoption of
resolutions****S.L.**

- **General rule:** a majority of the votes validly cast where they represent at least one-third of the votes under the shares into which the capital stock is divided (blank votes do not count).
- **Qualified majorities:**
 - a capital increase or reduction and any other amendment to the company bylaws will require the affirmative vote of at least one half of the votes corresponding to the shares into which the capital stock is divided.
 - authorization so that directors may pursue, for their own account or the account of others, the same, similar or supplementary types of activities as those under the corporate purpose, the elimination or limitation of preemptive rights under capital increases, reregistrations, mergers, spin-offs, global transfers of assets and liabilities and relocations of the registered office abroad and the removal of shareholders will require the affirmative vote of at least two-thirds of the votes corresponding to the shares into which the capital stock is divided.
- In addition to the proportion of votes established by the law and the bylaws, the bylaws may require the affirmative vote of a certain number of shareholders, higher than the number established by the law, without reaching unanimity.

S.A.

- **General rule:** a simple majority (more votes in favor than against) of the votes of the shareholders present in person or by proxy.
- **Qualified majorities:** a capital increase or reduction and any other amendment to the company bylaws, the issue of debentures, the elimination or limitation of the right to acquire new shares, re-registrations, mergers, spin-offs, global transfers of assets and liabilities and relocations of the registered office abroad, and the removal of shareholders: where the capital stock present in person or by proxy exceeds 5%, it will be sufficient for the resolution to be adopted by an absolute majority. However, the affirmative vote of at least two-thirds of the capital stock present in person or by proxy at the shareholders' meeting will be required where, on second call, shareholders are present that represent 25% or more of the subscribed voting capital stock but less than 50%.
- The company bylaws may increase the above majorities.

S.L.

- Shareholders may only be represented at shareholders' meetings by their spouse, ascendants or descendants, by another shareholder or by a person with general powers conferred in a public document with authority to manage all of the assets owned by the principal in the country.
- The bylaws may authorize representation by other persons.
- Representative authority must be conferred in writing. Where not recorded in a public document, it must be specially conferred for each shareholders' meeting.
- The representative authority will relate to all of the shares held by the represented shareholder.

Proxies**S.A.**

- All shareholders entitled to attend may be represented at the shareholders' meeting by another person, even where such person is not a shareholder, unless otherwise provided for in the bylaws.
- Representative authority must be conferred in writing or by a means of distance communication that meets the requirements established by the law for the exercise of distance voting rights and on a special basis for each shareholders' meeting.



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4.6.2 MANAGING BODY

An S.A.'s executive managing body is its director or directors, who need not be Spanish citizens. However, the directors (individuals or legal entities) will need to obtain a taxpayer identification number (NIF) or foreigner identity number (NIE) (for more information, see [section 3 of chapter 2](#)).

The board of directors represents the company in dealings with third parties in all acts within the scope of its corporate purpose. The company is bound to any third parties who have acted in good faith and without serious negligence, even with respect to acts outside the scope of its corporate purpose as registered at the Commercial Registry. Any limitation on the representative powers of the managing body, even if registered at the Commercial Registry, is not binding on third parties.

The management may be entrusted to:

- A sole director.
- Several directors acting on a several or joint basis.
- A board of directors. Resolutions may be validly adopted in writing and without holding a meeting, provided certain requirements are met.

The bylaws may establish different means of organizing the management, granting the shareholders' meeting authority to choose between any of them without the need to amend the bylaws. Listed companies must necessarily be managed by a board of directors.

¹⁰ Listed companies and public-interest entities that exceed determined thresholds have certain gender balance obligations as regards their boards of directors and senior managers, pursuant to the provisions of Organic Law 2/2024, of August 1, 2024, on equal representation and a balanced presence of women and men, which transposes Directive (EU) 2022/2381.

Where there is a board of directors, it must comprise (i) in the case of limited liability companies, a minimum of 3 and a maximum of 12 members, and (ii) in the case of corporations, a minimum of 3 members, with no maximum statutory limit whatsoever¹⁰.

A director is normally not required to be a shareholder unless the bylaws expressly provide otherwise.

Directors are appointed by the shareholders' meeting.

Appointment as a director becomes legally effective when accepted by the appointee and must be registered at the Commercial Registry within a stipulated period of time.

The term of office of directors is expressed in the bylaws. In the case of limited liability companies, the term may be indefinite, while in the case of corporations it may not exceed 6 years (4 years in the case of listed companies), and directors may be reelected for one or more additional periods of not more than 6 years (or 4 years, in the case of listed companies). The term of office must be the same for the board members.

The shareholders' meeting can freely dismiss the directors at any time.

The following paragraphs refer to some special features of a board of directors:

BOARD OF DIRECTORS

Powers

The board may delegate its functions to one or more managing directors or to an executive committee of board members, except for the following powers which may not be delegated in any circumstances:

- the power to supervise the effective functioning of any committees which it may have formed and the actions of delegated bodies and of any senior management personnel it has appointed.
- to determine the company's general policies and strategies.
- to authorize or discharge obligations deriving from the duty of loyalty incumbent upon directors.
- its own organization and functioning.
- to prepare the financial statements and present them to the general meeting.
- to prepare any kind of report which the managing body is required to issue by law, whenever the transaction to which the report refers is one which cannot be delegated.
- to appoint and remove the company's managing directors and establish the terms and conditions of their contracts.
- to appoint and remove senior management personnel who report directly to the board or to any of its members, and establish the basic terms and conditions of their contracts, including compensation.
- to reach decisions with respect to directors' compensation, within the framework of the bylaws and, where appropriate, of the compensation policy approved by the general meeting.
- to call the general meeting and draw up the agenda and resolution proposals.
- to determine the policy with respect to treasury stock shares.
- any powers delegated to the board of directors by the general meeting, unless the board has been expressly authorized to subdelegate them.



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BOARD OF DIRECTORS

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Adoption of resolutions by the board

The *quorum* for a board meeting is the presence, either in person or by proxy, of one-half plus one of the board members.

2

Majorities for the adoption for resolutions

- Generally, by an absolute majority of the directors attending (in person or by proxy).
- Exceptionally, for permanent delegation of board powers, by the affirmative vote of two-thirds of the board's members. Such delegation is not legally valid until it has been registered at the Commercial Registry.

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Liability of directors

Directors must comply with the duty of diligent administration, faithful defense of the corporate interests, loyalty and secrecy. Directors are liable to the company, its shareholders and its creditors for damage caused by acts that are illegal, contrary to the bylaws or carried out in breach of the duties specific to the office. In such cases, all directors are jointly and severally liable. A director can only be released from liability if he/she proves that he/she did not participate in the adoption or execution of the resolution and that he/she was unaware of the existence of the harmful act or, if he/she was aware of it, did everything reasonably possible to mitigate it or at least expressly opposed the resolution giving rise to the harm.

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Powers of attorney

In addition to the powers vested in the board of directors, general powers of attorney may be conferred upon any person, whether or not a director, in which case they must be documented in a public deed of power of attorney registered at the Commercial Registry.

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Meetings

The board must meet at least once a quarter, that is, four times a year.

7

Contract with managing director or director assigned executive functions

Where a member of the board of directors is appointed as managing director or assigned executive functions by virtue of any other title, a contract must be entered into between the board member concerned and the company, with such contract having been approved beforehand by the board of directors with the affirmative vote of two thirds of its members. The board member in question must refrain from attending the deliberations and participating in the voting. The contract approved must be attached as an exhibit to the minutes of the meeting. The contract must indicate all items for which compensation may be received for the performance of executive functions, including, where appropriate, potential severance for early removal from such functions and amounts payable by the company in the form of insurance premiums or contributions to savings plans. The board member may not receive any other compensation for the performance of executive functions which is not envisaged in his/her contract.

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Compensation

As a general rule, the office of director is not compensated, unless the bylaws establish otherwise, in which case the bylaws must stipulate the compensation system to be applied, determining the compensation item or items payable. These may consist, among others, of the following: a fixed allocation, per diems, a share in profits, variable compensation based on reference parameters or indicators of a general nature, compensation in shares or linked to share performance, severance for removal, provided that the removal is not due to a breach of directorial duties, or contributions to such saving or welfare plans as may be deemed appropriate. Under the Decision of the Directorate-General of Registries and the Notarial Profession (DGRN) of June 4, 2020, the bylaws can contain a list of compensation systems so that the board of directors can choose a system in the contract, and the office of director can even be compensated for executive directors and not compensated for deliberative directors. The maximum annual compensation payable to the directors overall must be approved by the general meeting, with such limit remaining in force until its amendment is approved. Unless otherwise determined by the general meeting, the distribution of such compensation among the directors is to be established by agreement among them. The compensation paid is nevertheless required to be reasonable and proportionate taking into consideration the company's importance, its economic situation at any given time, and market standards among comparable companies. It should be geared towards promoting the company's long-term profitability and sustainability, while incorporating such safeguards as may be necessary to avoid excessive risk-taking and poor results. For tax purposes, it is important to note that, in accordance with the recent rulings of the Supreme Court, the compensation of directors and managers will generally be deductible if the expenses are properly accounted for and correspond to services actually provided, and if there is evidence to substantiate these points. In any event, and irrespective of this recent judicial stance, which has already been embraced by the economic-administrative courts, it is prudent (given the constant shift in court criteria) to adhere to the requirements set forth in commercial law regarding this type of compensation (i.e., statutory provision, approval of the maximum annual compensation amount, etc.).



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4.6.3 REQUIREMENTS FOR THE ADOPTION OF RESOLUTIONS AT SHAREHOLDERS' AND BOARD MEETINGS

The legal or bylaw requirements for the exercise of certain rights and the adoption of resolutions at both shareholders' and board meetings of S.A.s and S.L.s are as follows:

CORPORATIONS		CAPITAL COMPANIES LAW		LIMITED LIABILITY COMPANIES	
Article of the Capital Companies Law	Minimum stake required	Minority shareholders' rights at an S.A. or S.L.		Minimum stake required	Article of the Capital Companies Law
a. Common general aspects:					
Art. 203	1%	Right to request the presence of a notary to record the minutes of the shareholders' meeting.		5%	Art.203
Art. 168	5%	Right to request the calling of a shareholders' meeting.		5%	Art.168
Art. 238.2	5%	Right to oppose a waiver of an action for liability against directors.		5%	Art. 238.2
Art. 239	5%	Right to file an action for liability of directors if such claim has not been filed by the company itself.		5%	Art. 239
Art. 251	1%	Right to contest any resolution adopted by the board of directors.		1%	Art. 251
Art. 265.2	5%	Right to request that the Commercial Registry appoint an auditor.		5%	Art. 265.2
Art. 381	5%	Right to request that the Commercial Court appoint a receiver to monitor the liquidation process.		Not Regulated	
Art. 266	5%	Right to request that the Commercial Court revoke the appointment of an auditor.		5%	Art. 266
Art. 197	25%	Right to request the information deemed appropriate for the holding of shareholders' meetings (which cannot be refused by the directors).		25%	Art. 196
Art. 172	5%	Right to request an addition to the notice calling a shareholders' meeting in order to include one or more items on the agenda.		Not Regulated	
b. The <i>quorums</i> of attendance and majorities required to adopt resolutions at shareholders' and board meetings of corporations are as follows:					
Art. 193.1	25%	<i>Quorum</i> on first call for shareholders' meetings. No <i>quorum</i> is required on second call. In any event, a simple majority is required for the adoption of resolutions.			
Art. 194.1	50%	<i>Quorum</i> on first call for meetings in special circumstances, such as issuance of debentures, increase or reduction of capital, re-registration, merger, spin-off or any other amendment of the bylaws.			

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CORPORATIONS		CAPITAL COMPANIES LAW	LIMITED LIABILITY COMPANIES
Article of the Capital Companies Law	Minimum stake required	Minority shareholders' rights at an S.A. or S.L.	Minimum stake required Article of the Capital Companies Law
Art. 194.2	25%	<i>Quorum</i> on second call for meetings in special circumstances, such as issuance of debentures, increase or reduction of capital, re-registration, merger, spin-off or any other amendment of the bylaws. If shareholders representing less than 50% of the subscribed voting capital are present at such meetings, a 2/3 majority of the capital present or represented is required for the adoption of resolutions.	
Art. 248	≥ 50%	Required majority of votes cast by members present or represented for the adoption of resolutions by the board of directors.	
Art. 249.3	66%	Required majority of votes cast by members of the board of directors present or represented for the permanent delegation of authority to the Executive Committee or in the managing director.	
c. The <i>quorums</i> and voting majorities required for the adoption of resolutions at shareholders' and board meetings of limited liability companies are as follows:			
Art. 198	33%	<i>Quorum</i> for meetings the agenda of which includes resolutions not listed in Article 199.a) or 199.b). in any event, a simple majority of the votes cast is required, provided that it represents least one-third of the votes under the shares into which the capital is divided.	
Art. 199.a)	≥ 50%	Required majority of votes for resolutions to increase or reduce capital or to amend the bylaws in any way.	
Art. 199.b)	≥ 66%	Required majority of votes for resolutions such as re-registration, merger, spin-off, removal of members, etc.	
Art. 245.1		Majority of votes required in the bylaws.	
Art. 249.3	≥ 66%	Required majority of votes cast by members of the board of directors present or represented for the delegation of authority to the Executive Committee or the managing director.	

5. European public limited-liability company (S.E.)



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Regulation (EC) no. 2157/2001, of October 8, 2001, approving the bylaws for a European Company (S.E.), regulates the legal framework currently in force within the EU for this type of European corporate entity. Law 19/2005, of November 14, 2005¹¹, which regulates S.E.s domiciled in Spain, adopted the necessary measures to guarantee the effectiveness of the directly applicable rules included in the Regulation, amending the repealed Corporations Law and including a new chapter. Moreover, this Regulation has been supplemented in Spain by Law 31/2006, of October 18, 2006 regulating the involvement of employees of European corporations and cooperatives, transposing Council Directive 2001/86/EC, of October 8, 2001.

- **Concept:** an S.E. offers companies carrying on business in various Member States the possibility of setting up as a single company under EU regulations and operating in the EU under a single legislation and a unified administrative and declaration system. For companies acting in different Member States, an S.E. offers the possibility of reducing administrative costs with a legal framework adapted to EU regulations.
- **Main characteristics:**
 - An S.E. will always be considered a derivative company since it can only be founded by other pre-existing companies. In other words, individuals are not allowed to create this type of company.
 - Need for the existence of a European multinational nature in the process of association giving rise to the formation of an S.E. In this regard, although there are different procedures for forming an S.E., there are two unavoidable requirements common to all with a view to preserving this European multinational nature:

- o That only entities formed pursuant to the legislation of a specific Member State be involved in the formation of an SE, and their registered office and central management must also be located in the EU.
- o At least two of the entities involved must be subject to the legislation of different Member States.
- The subscribed capital may not be less than €120,000, although the minimum required capital can be higher in specific cases contemplated under Spanish legislation for companies pursuing certain activities (i.e. lending institutions). The Spanish legislation governing corporations will also apply to share subscription, payment, ownership and transfers.
- S.E.s can only be formed as follows:
 - o Merger: the merged companies must be subject to the legislation of different Member States.
 - o Formation of a holding S.E.: provided that at least two of the companies are governed by the law of a different Member State, or for at least 2 years have had a subsidiary company governed by the law of another Member State or a branch located in another Member State.
 - o Formation of a subsidiary S.E.: provided that at least two of the companies are governed by the law of a different Member State, or for at least 2 years have had a subsidiary company governed by the law of another Member State or a branch located in another Member State.

¹¹ This Law 19/2005 was implicitly repealed by Legislative Royal Decree 1/2012, of July 2, 2012, which regulates this type of company under its Chapter XIII.



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- o Re-registration of an existing S.A.: provided that for at least 2 years it has had a subsidiary company governed by the law of another Member State.

- S.E.s must be registered at the Commercial Registry of their registered office. Their registered office is situated in the place where their central management is established.

- The governing bodies are:

- o A shareholders' meeting.

- o A managing body (one-tier system) or a managing body and an oversight body (dual system), per the option adopted in the bylaws.

- Shareholder's liability is, in principle, limited to the subscribed capital.

- The name of an S.E. must be preceded or followed by the abbreviation S.E.

- From a labor standpoint, Law 31/2006 regulates the application of certain rights of information, consultation and participation of the workers in the corporate bodies of an S.E. where such participation already existed within the founding companies at the time of the formation of the S.E. This is to ensure the participation of the workers in the S.E. for the purposes of allowing them to have an influence on any decisions adopted at the company which directly affect them.

Furthermore, Law 10/2011 attempts to reinforce the influence employees have on a company's intentions,

emphasizing the need for employees to exercise their rights of information and consultation before decisions are effectively made.

In general terms, an S.E. is an effective investment vehicle for companies that already have a business presence in the EU and wish to invest in Spain.

While an S.E. has the disadvantage of being a new legal vehicle which, in certain cases, may allow greater employee participation in the management decisions of the company, it has the advantage that its legal framework is known in all EU countries.

6. Professional services firm (S.P.)

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Pursuant to Professional Services Firms Law 2/2007, of March 15, 2007 (partially amended by Law 25/2009, of December 22, 2009, amending various laws to bring them into line with the Law on Free Access to, and Pursuit of, Service Activities), the regulations governing a type of company known as a Professional Services Firm (S.P.) entered into force. The purpose of the above Law is to

set in place a regulatory framework governing the common pursuit by several members of a professional activity under a specific corporate form.

Thus, professional services firms are characterized by three specific general features:

Corporate purpose

Their corporate purpose can only be the common pursuit by various members of a professional activity (meaning an activity the pursuit of which requires an official university or professional qualification and registration with a professional association). This feature also implies that all firms that have such purpose must necessarily be formed as professional services firms.

Professional members

The professional members must have a stake in the company's capital ("professional members" meaning individuals or other professional services firms that meet the requirements necessary to engage in the professional activity).

Corporate forms

Professional services firms may be formed in accordance with any of the forms provided for in the law, provided that they meet the specific requirements included in the Professional Services Firms Law.

Specific requirements

- Three quarters of the capital and of the voting rights, or three quarters of the firm's assets and of the number of members at non-corporate enterprises, must belong to professional members.
- Three quarters of the members of the managing body must be professional members. Where the managing body has a single member or there are managing directors, such duties must necessarily be performed by a professional member. In any event, the resolutions of collective managing bodies will require the affirmative vote of the majority of the professional members, regardless of the number of the members present.
- The professional activity will be pursued in accordance with the code of ethics and disciplinary rules specific to the professional activity in question, with the grounds for incompatibility or disqualification of the members affecting the company itself. A professional services firm may also be fined on the terms established in the disciplinary rules that apply under its professional code.
- Broadly speaking, to transfer the status of professional member, it is necessary to have the consent of all of the professional members, unless the firm's bylaws permit transfers by an agreement of the majority of the members.
- Must be registered at the Commercial Registry and the Registry of Professional Services Firms of the relevant professional association.
- The distribution of income or allocation of loss may be based on or modified according to the contribution made by each member to the sound running of the firm.
- Professional services firms must arrange for an insurance policy that covers the liability they may incur in the course of the activity or activities that make up their corporate purpose.

7. Sole-shareholder companies

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Under the Law, which applies in this respect to both S.A.s and S.L.s, either of these corporate forms can be set up as, or can subsequently become, a sole-shareholder company.

Such companies are subject to a specific regime entailing special reporting and registration requirements. For example, the fact that a company has a single owner has to be registered at the relevant Commercial Registry and acknowledged on all company correspondence and commercial documentation. Likewise, contracts between the company and its sole owner need to be recorded in a special company register (the book of contracts with the sole shareholder).

In general, such requirements may be deemed for the purpose of providing information, although compliance is of the utmost importance since, if 6 months elapse from the date on which the company acquires sole shareholder status without such circumstance having been registered at the Commercial Registry, the sole shareholder will bear personal, unlimited and joint and several liability for any company debts assumed during the period of sole-shareholder status.



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8. Branches



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8.1 CREATION OF A BRANCH

In addition to the forms of business enterprise created under Spanish law with separate legal personality, a foreign investor may operate in Spain through a branch.

The opening of a branch requires the execution of a public deed, which must be registered at the Commercial Registry, together with the formalities indicated in [section 6.1](#) and [6.2 of chapter 2](#).

From a foreign investment legislation viewpoint, it is not necessary to provide the branch with capital, although certain branches of entities with financial activities, due to the special nature of their activity, must be allocated capital.

The decision of the DGRN of May 24, 2007, establishes that foreign companies do not have to obtain a clear name search certificate from the Central Commercial Registry in order to set up a branch in Spain. Given they are not forming a new legal entity, they do not have to meet the requirements for setting up a company (i.e. a certificate from the Central Commercial Registry evidencing that the name of the company to be formed is not registered).

The branch must have a legal representative who is empowered by the head office to administer the affairs of the branch. Apart from this requirement, there are no formal governing or management bodies.

Aside from the obvious differences in terms of internal structure and organization, a branch operates much like a company in its dealings with third parties.

The choice between forming a branch or a legal entity in Spain may be affected by commercial reasons, for example, a company may be deemed to provide a more “solid” presence than a branch.

There are also other differences which are addressed in different chapters of this publication.



8.2 BRANCH VS. SUBSIDIARY (WHETHER S.A. O S.L.)

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From a legal standpoint, the main differences between a branch and a subsidiary are as follows:

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	S.A.	S.L.	BRANCH
Concept	Company of a commercial nature engaging in the pursuit of an economic activity, with a capital stock divided into shares and consisting of contributions by the shareholders, who, as a general rule, will be personally liable for company debts only up to the limit of the contribution made or promised.		Secondary establishment with a permanent representation and certain management independence, through which the activities of the head office are totally or partially pursued, and with no legal personality independent of that of the head office.
Capital stock	€60,000.	€1. ¹²	No capital is required for the establishment of a branch, although for practical reasons it is advisable.
Monetary and non-monetary contributions	Monetary contributions must be made in the national currency, while non-monetary contributions, in the case of corporations, will require a report by an independent expert appointed by the Commercial Registrar.		
Registration	The company must be formed under a public deed to be filed with the Commercial Registry, acquiring legal personality upon registration.		Together with the public deed creating the branch, the documents evidencing the existence of the head office, the current bylaws, its directors and the decision to open the branch, duly legalized, must be registered with the Commercial Registry.
Shareholders' meeting calls	See section 4.6.1 above.		A branch does not have decision-making body in the form of a board or meeting, since its legal personality is that of the parent company.
Directors	The bylaws may establish various types of managing bodies, granting the shareholders' meeting authority to choose between them, without any need to amend the bylaws. The position of director will be not remunerated, unless the bylaws otherwise provide and establish the method of remuneration. See section 4.3 above.		The managing body of the head office will appoint a branch director to act as an attorney-in-fact of the head office at the branch. The director (as a general rule and subject to the limitations provided for in the powers of attorney) may pursue all the activities entrusted to the branch and registered at the Commercial Registry.
Share transfers	Depends on how they are represented (book entries, detachable certificate books, etc.) and on their nature (registered or bearer). In principle, they are free transferable, unless the bylaws establish otherwise.	Transfers must be recorded in a public document executed before a Spanish notary. Any bylaw provisions enabling practically unrestricted share transfers are prohibited.	A branch cannot be transferred since it does not have any legal personality.
Financial statements	The directors of the company must, within not more than 3 months of the fiscal year-end, prepare the financial statements, the management report and the proposal for the distribution of profit, to be approved by the shareholders' meeting within 6 months of the fiscal year-end.		As permanent establishments in Spain for tax purposes, branches must keep their own accounts with respect to the transactions they perform and their assets. Moreover, branches must deposit their parent company's financial statements at the Commercial Registry or, in certain cases, the statements prepared in relation to the branch's activity.
Dividend distribution	Should the profit be distributed as dividends, such distribution shall be made to the shareholders in proportion to the capital they have contributed. Payment of interim dividends is also possible.		Dividends do not exist, since profits pertain strictly to the parent company.

¹² See [section 4 of chapter 2](#) for more information.

9. Representative office

In addition to commercial entities and branches, foreign investors may operate in Spain via a representative office. Noteworthy key features include:

Legal personality	It does not have its own legal personality independent from the parent company.
Formalities for opening	No commercial formalities are required to open a representative office, although for tax, a labor and social security reasons it might be necessary to execute a public deed (or document executed before a foreign public notary, duly certified by apostille or any other applicable legalization system), which must indicate the opening of the representative office, the funds allocated to the office, the identity of its tax representative, which must be a legal entity or individual resident in Spain, and its powers. The opening of a representative office need not be registered at the Commercial Registry.
Managing body	There are no formal managing bodies, but rather the representative of the office acts under the powers granted to him/her.
Activities	In principle, the activities of a representative office are limited, essentially comprising coordination, collaboration, etc.

The non-resident company is liable for all debts incurred by the representative office.

- 1 Applicable legislation
- 2 Forms of business enterprise
- 3 The treatment of liability at the types of business enterprises
- 4 Main characteristics of corporations and limited liability companies
- 5 European public limited-liability company (S.E.)
- 6 Professional services firm (S.P.)
- 7 Sole-shareholder companies
- 8 Branches
- 9 Representative office



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Safeguards to protect financial services customers

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The Spanish financial system

Spain has a modern diversified financial system which is competitive and fully integrated with the international financial markets.

In Spain, as well as in the European Union, the deregulation of capital movements is complete, which enables the Spanish companies to obtain financing from abroad, as well as it makes investment much easier for foreign companies in Spain. The highest degree of integration at the European Union had a great impact in the Spanish economy, especially in the banking and the securities market sectors.

The Spanish markets are endowed with great transparency, liquidity and efficacy.

Even though the economic and financial slowdown had a great impact on the stock markets worldwide, the Spanish financial system underwent significant restructuring process that implied a reorganization of the annual accounts and solvency of the main actors of the stock markets. By way of example, the major Spanish credit institutions are becoming global leaders of the banking technological transformation.

In what concerns the economic growth, the European Central Bank maintained that the Spanish economy is registering a solid

economic growth which is consolidating the restructuring process of the financial markets. This rise in the Spanish economy continued in 2024, driven by positive figures for private consumption, foreign investment and tourism.

Notwithstanding the slowdown in the world economy caused by the Covid-19 pandemic, the Spanish economy grew by 3.2% in 2024 and is expected to grow by 2,3% in 2025, according to data from the International Monetary Fund.

As for the money market, this has become increasingly important as a result of the deregulation and greater flexibility of the Spanish financial system as a whole in the past few years, with a substantial volume of trading in money market instruments.

Lastly, more general and stronger protection for financial services customers has been provided. A stronger protection of the financial systems has also been provided through the regulation of obligations and procedures to prevent the use of said systems for money laundering and terrorist financing.

All these and other aspects of interest, such as the tax regime applicable to the main financial products available on the Spanish market are discussed in this chapter.

1. Introduction



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Safeguards to protect financial services customers

From an institutional standpoint, a financial system can be defined as the group of institutions which generate, muster, administer and manage savings and investment in a political and economic system.

Spain has a diversified, modern, and competitive financial system, which is fully integrated within international financial markets.

2. Financial institutions



- 1 Introduction
- 2 Financial institutions
- 3 Markets
- 4 Safeguards to protect financial services customers

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The main operators in the Spanish financial system can be classified as follows:

FINANCIAL SYSTEM OPERATORS

Central Bank	Bank of Spain.
	Spanish and foreign banks.
	Official Credit Institute (<i>Instituto de Crédito Oficial, ICO</i>).
Credit institutions	Savings Banks. Spanish Confederation of Savings Banks (<i>Confederación Española de Cajas de Ahorro, CECA</i>).
	Credit Cooperatives.
	Credit Financial Establishments.
	Payment Institutions.
Financial auxiliaries	Electronic Money Institutions.
	Mutual Guarantee and Counter-guarantee Societies.
	Valuation Companies.
	Investment Funds. • Financial • Non-financial
Collective investment Schemes	Investment Companies. • Financial • Non-financial
	Management Companies of Collective Investment Schemes.
	Broker-Dealers.
	Brokers.
Investment Firms	Portfolio Management Companies.
	Financial Advisory Firms.

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FINANCIAL SYSTEM OPERATORS

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Venture Capital Entities, including SME Venture Capital Entities.

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Closed-ended type Collective Investment Entities

Closed-ended type collective investment entities.

3

European venture capital funds.

4

European social entrepreneurship funds.

5

Management companies of Closed-ended type Collective Investment Entities.

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Insurance and reinsurance companies and insurance intermediaries

Insurance and Reinsurance Companies.

- Insurance Intermediaries.
- Insurance Agents
- Insurance Brokers
- Reinsurance Brokers

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Pension Plans and Funds

Pension Plans.

Pension Funds.

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Management Companies of Pension Funds.

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Securitization vehicles

Securitization Funds¹.

Securitization Fund Management Companies.

¹ Until the promulgation of Law 5/2015 of April 27, 2015 on the Promotion of Business Financing (Law 5/2015), which has brought changes to the regime governing securitization funds in Spain, a distinction was drawn between mortgage securitization funds and asset securitization funds. This distinction has been eliminated in the new Law, which now refers to securitization funds as a single concept (without prejudice to those mortgage securitization funds and asset securitization funds created prior to Law 5/2015 and which remain in existence).

The key features of the financial system operators are described below.

2.1 CENTRAL BANK

The Spanish Central Bank is the Bank of Spain. It is the national central bank, entrusted with supervising the Spanish banking system, and its activities are regulated by the Law on the Autonomy of the Bank of Spain.

Following the creation of the European System of Central Banks (ESCB) and the European Central Bank (ECB), the Bank of Spain's functions have been redefined as follows:

FUNCTIONS OF THE BANK OF SPAIN

Participation in the functions of the European System of Central Banks (ESCB)

Defining and implementing monetary policy in the euro zone with the aim of maintaining price stability in the euro zone.

Conducting foreign currency exchange transactions and holding and managing the Spanish State's official foreign exchange reserves.

Promoting the sound working of the euro zone payment system.

Issuing legal tender banknotes.

Supervising the solvency and behavior of credit institutions and the financial markets.

Promoting the sound working and stability of the financial system and of Spain's payment systems.

Functions established in the Law on the Autonomy of the Bank of Spain

Preparing and publishing statistics on its functions.

Providing treasury services and acting as a financial agent for government debt.

Advising the Government and preparing the appropriate reports and studies.

Holding and managing currency and precious metal reserves not transferred to the ECB.

Placing coins in circulation and performing, on behalf of the State, all other functions entrusted to it in this connection.



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The inclusion of the Bank of Spain in the Single Supervisory Mechanism

Council Regulation (EU) 1024/2013 of October 15, 2013, has created a Single Supervisory Mechanism (SSM), which introduces a new financial supervision system made up of the European Central Bank (ECB) and the Competent National Authorities (CNA) of the participating EU Member States, which include the Bank of Spain. The ECB's Regulation (EU) No 468/2014 of April 16, 2014 establishes the framework for cooperation within the SSM between the ECB and CNA and with national designated authorities.

Its main objectives are to ensure the safety and soundness of the European banking system and to enhance financial integration and stability in Europe. In addition, the SSM plays a crucial role in ensuring a coherent and effective implementation of the Union's policy relating to the prudential supervision of credit institutions.

Under additional provision sixteen of Law 10/2014, of June 26, 2014, on regulation, supervision and solvency of credit institutions, the Bank of Spain was included in the SSM in its capacity as a competent national authority, whereby the Bank of Spain will exercise its regulatory and supervisory powers, notwithstanding the functions entrusted to the ECB in the context of the SSM and in conjunction with this institution.

2.2 CREDIT INSTITUTIONS

The main credit institutions, i.e. banks, savings banks and credit cooperatives, play a particularly important role in the financial

industry in Spain, because of the volume of their business and their presence in all segments of the economy. Credit institutions are authorized to engage in what is referred to as “universal banking”, i.e. not to confine themselves to traditional banking activities consisting merely of attracting funds and financing by granting loans and credit facilities, but also to provide para-banking, securities market, private banking and investment banking services.

However, with the aim of removing imbalances in the Spanish financial industry to permit its restructuring, significant changes have been made in the industry, mainly affecting groups of national banks and savings banks. Accordingly, the restructuring process is being carried out through concentrations of savings banks, banks and credit cooperatives, the conversion of savings banks into banks and recapitalization processes at certain institutions. The trend in the Spanish credit institutions sector is therefore towards a reduction in the number of institutions registered with the Bank of Spain.

As of December 31, 2023, there are officially registered at the Bank of Spain the Official Credit Institute, 478 banks, 2 savings banks, 61 credit cooperatives, 28 representative offices in Spain of foreign credit institutions, 74 branches of non-Spanish EU credit institutions, 4 branches of non-EU credit institutions, 686 non-Spanish EU credit institutions operating in Spain without an establishment, 18 financial institutions which are subsidiaries of a non-Spanish EU credit institution, operating in Spain without an establishment, and 3 non-EU credit institutions operating in Spain without an establishment².

Directive 2015/2366 of the European Parliament and of the Council of November 25, 2015 on payment services in the internal market (PSD2) was published in the Official Journal of the European Union

on December 23, 2015. This directive has been transposed into Spanish law through Royal Decree-Law 19/2018 of 23 November on payment services and other urgent measures in financial matters and Royal Decree 736/2019 of 20 December on the legal regime for payment services and payment institutions and amending Royal Decree 778/2012, of 4 May on the legal regime for electronic money institutions and Royal Decree 84/2015 of 13 February implementing Law 10/2014 of 26 June on the organisation, supervision and solvency of credit institutions.

2.2.1 BANKS

Banks are corporations (*sociedades anónimas*) legally authorized to perform the functions reserved to credit institutions.

Their key features are summarized below:

² | https://www.bde.es/bde/es/secciones/servicios/Particulares_y_e/Registros_de_Ent/

Basic regulations	• Law 10/2014, of June 26, 2014, on regulation, supervision and solvency of credit institutions. • Royal Decree 84/2015 of February 13, 2015, implementing Law 10/2014 of June 26, 2014, on the regulation, supervision and solvency of credit institutions. • Regulation (EU) no. 575/2013 of the European Parliament and of the Council, of June 26, 2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no. 648/2012.
Corporate purpose	• Restricted to the pursuit of typical banking activities and of the reserved activity for credit institutions, consisting of the attracting of repayable funds from the public— whatever the use to which they are to be put—in the form of deposits, loans, temporary assignments of financial assets or similar.
Minimum capital	• A sum of €18 million, which must be fully subscribed and paid in.
Managing body	• The Board of Directors must have no fewer than five members. • The members of the Board of Directors, individuals representing directors who are legal entities, and general managers or persons in similar positions, those in charge of the internal control functions, and those holding other positions which play a key part in the day-to-day pursuit of the activities of the credit institution or its parent Company, must be persons of good repute in business and professional terms, have the knowledge and experience required for the performance of their functions and be committed to the good governance of the entity. The meeting of these requirements is to be assessed in accordance with the provisions of the pertinent legislation. • Registration of the managers, directors and similar executives on the Register of Senior Officers.
Shares	• Shares must be registered.
Formation of banks	• It is up to the Bank of Spain to submit to the European Central Bank an authorization proposal for the formation of a bank. • Must be registered on the Register of credit institutions of the Bank of Spain.

2.2.2 OFFICIAL CREDIT INSTITUTE (ICO)

It is a State-owned credit institution, attached to the Ministry of Economy, Commerce and Business through the Office of the Secretary of Economy and Business Support.

It acts as the State's finance agency, providing financing pursuant to express instructions from the Government to those affected by serious economic crises or natural disasters. It also manages official export and development financing instruments.

2.2.3 SAVINGS BANKS

Savings banks are credit institutions with the same freedoms as and full operational equality with the other members of the Spanish financial system. They have the legal form of private foundations and a community-welfare purpose and operate in the open market, although they reinvest a considerable portion of their earnings in community outreach projects.³

These long-standing institutions with deep roots in Spain have traditionally attracted a substantial portion of private savings, with

their lending business characteristically focused on the private sector (through mortgage loans, etc.). They have also been very active in financing major public works and private-sector projects by subscribing and purchasing fixed-income securities.

Currently, as a result of the savings bank restructuring process, a number of savings banks have emerged which, while retaining their status as credit institutions, have stopped engaging directly in their traditional financial activity, as their financial business has been transferred to banks formed for that purpose and owned by the savings banks via the creation of Institutional Protection Schemes (IPSS).

Of a total of 45 savings banks (at the beginning of 2010), 43 —which in terms of volume of total average assets represent 99.9% of the sector— have taken part or are currently taking part in some kind of consolidation process. As a result, the sector has gone from having a total of 45 entities with an average size of €29,440 million (December 2009) to being made up of 11 entities or groups of entities, with an average volume of assets of €89,550 million (March 2015). Currently there are two savings banks that are Caja de Ahorros y Monte de Piedad de Ontinyent and Caixa D' Estalvis de Pollença.

The Spanish savings banks are members of the Spanish Confederation of Savings Banks (CECA), a credit institution formed in 1928 to act as the national association and financial institution of the Spanish savings banks. The “special foundations”, the central institutions of the IPSSs, the instrumental banks through which the

³ As a result of the credit institution restructuring process, almost all the savings banks have agreed to separate their financial activities from their community welfare activities, so that today the community welfare activities are carried out by foundations and the financial activities by credit institutions (typically banks) owned by the savings banks.



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savings banks engage in their financial activity and the institutions whose financial business derives from a savings bank all form part of the CECA. The CECA aims to strengthen the position of the savings banks, it acts as a forum for strategic reflection for all savings banks and other member entities, it advises them and it provides them with competitive products and services.

2.2.4 CREDIT COOPERATIVES

Credit cooperatives are credit institutions that combine the corporate form of a cooperative and the activity and status of a fully operational credit institution.

Their uniqueness and importance lies in the fact that they function as a nonprofit organization, since their members combine their funds to make loans to each other, with any excess revenues being returned to the members in the form of dividends.

Their key features are described below:

Basic regulations	- State: law 10/2014, of June 26, 2014, on regulation, supervision and solvency of credit institutions, Law 13/1989 on Credit Cooperatives, Royal Decree 84/1993 approving the Implementing Regulations for Law 13/1989 of May 26, 1989, on Credit Cooperatives, and Royal Decree 84/2015 of February 13, 2015, expanding upon Law 10/2014. Law 27/1999 on cooperatives applicable secondarily. Legislative Royal Decree 11/2017 of June 23, 2017. - Autonomous communities: corporate/cooperative regulations.
Corporate purpose	They may perform all types of lending and deposit-taking operations and provide all the services permitted to banks and savings banks, provided they give priority to the financial needs of their members .
Minimum capital	Each member must have a holding of at least €60.01 in the capital. No legal entity may hold more than 20% of the capital, unless it is a cooperative, in which case the holding cannot exceed 50% of the capital. No individual may hold more than 2.5% of the capital of a credit cooperative.
Governing bodies	- General Assembly: each member is to have one vote, regardless of the member's shares in the capital stock. However, if the bylaws so provide, the vote of the members may be in proportion to their contribution to the capital, to the activity pursued, or to the number of members of associated cooperatives, in this case, the bylaws must clearly indicate the criteria for such proportional voting. - Governing Board comprising at least five members, two of whom may be non-members. - General Manager, without governing functions, subordinated to the Governing Board. - All members of the Governing Board must be persons of good repute in business and professional terms, have the knowledge and experience required to perform their functions, and be committed to the good governance of the entity. - The requirements with respect to good repute, knowledge and experience also apply to general managers or persons holding similar positions, to those in charge of the internal control functions and to those holding other positions which play a key part in the day-to-day pursuit of the entity's activities. - Registration of managers, directors or similar executives on the Register of Senior Officers.
Contributions	- They are for an indefinite term. - Their remuneration is conditional on the existence of net income or sufficient unrestricted reserves to cover the remuneration. - Their redemption is subject to compliance with the solvency ratio.
Formation of credit cooperatives	- It is up to the Bank of Spain to submit to the European Central Bank an authorization proposal for the formation of a credit cooperative. - Must be registered on the Special Register of the Bank of Spain.

Additional considerations regarding credit institutions:

A. The regime governing significant holdings and changes of control at credit institutions

Any individual or legal entity that, acting alone or in concert with others, intends to acquire, directly or indirectly, a significant holding⁴ in a Spanish credit institution or to increase, directly or indirectly, the holding in that institution so that either the percentage of voting rights or capital held is equal to or greater than 20%, 30% or 50%, or that, by virtue of the acquisition could control the credit institution, must give prior notice to the Bank of Spain in order to secure a statement of non-opposition to the proposed acquisition, indicating the amount of the expected holding and including all the information required by law. Likewise, any individual or legal entity that has taken a decision to dispose, directly or indirectly, of a significant holding in a credit institution, must first notify the Bank of Spain of such circumstance.

It is the task of the Bank of Spain to assess proposed acquisitions of significant holdings and submit a decision proposal to the European Central Bank so that it can decide whether or not to oppose the acquisition.

Furthermore, any individuals or legal entities that, acting alone or in concert with others, have acquired, directly or indirectly, a holding in a credit institution, so that the percentage of voting rights or of capital that they hold is equal to or greater than 5%, must give immediate written notice of such circumstance to the Bank of Spain and the credit institution in question.

Similarly, any individual or legal entity that decides to cease to hold, directly or indirectly, a significant holding in a credit

institution, must notify the Bank of Spain of such decision beforehand, indicating the shareholding percentage it intends to hold. It must also notify the Bank of Spain if it intends to reduce its significant shareholding in such a way that the percentage of voting rights or capital held by it falls to below 20%, 30% or 50%, or results in the loss of control over the credit institution.

B. Cross-border activities of credit institutions

With regard to the cross-border activities of credit institutions, the following may be noted:

- A Spanish credit institution may operate abroad by opening a branch or under the freedom to provide services.
- Credit institutions authorized in another EU Member State may engage in Spain, either by opening a branch or under the freedom to provide services, in activities that benefit from mutual recognition within the European Community.
- Likewise, credit institutions not authorized in an EU Member State may provide services through a branch or under the freedom to provide services, but they will require prior authorization.

In all cases, the credit institutions must fulfill a number of statutory requirements.

Furthermore, credit institutions may operate in Spain through representative offices. However, representative offices may not perform credit operations, collect deposits, or engage in financial intermediation, nor may they provide any other kind

of banking services. They are confined to engaging in merely information-related or commercial activities regarding banking, financial or economic matters. However, they may promote the channeling of third-party funds, through credit institutions operating in Spain, to their credit institutions in their countries of origin, and serve as a medium to provide services without a permanent establishment (that is, under the freedom to provide services).

2.3 FINANCIAL AUXILIARIES

2.3.1 CREDIT FINANCIAL ESTABLISHMENTS

Credit financial establishments (*establecimientos financieros de crédito*) are institutions specialized in certain activities (i.e. financial leasing, financing, mortgage loans, etc.) which cannot raise deposits from the general public.

Their key features are summarized below:

⁴ "Significant holding" means a holding in a Spanish credit institution that amounts, directly or indirectly, to at least 10% of the capital or voting rights of the institution. Where a holding makes it possible to exert a notable influence at the institution, it will also be considered a significant holding even if it does not amount to 10 percent.



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Basic regulations	• Law 5/2015 of April 27, 2015 on the promotion of business financing. • Law 3/1994, of April 14, 1994, adapting Spanish legislation on credit institutions to the Second Council Directive on Banking Coordination and introducing other modifications relating to the financial system, in the area of credit financial establishments. • Royal Decree 692/1996, of April 26, 1996, establishing the legal regime for credit financial establishments.
Corporate purpose	Their scope of operations is the pursuit of banking and para-banking activities: • Financial leasing with certain complementary activities. • Lending and the provision of credit facilities, including consumer credit, mortgage loans, and the financing of commercial transactions. • Factoring with or without recourse. • Issuing guarantees and similar commitments. • The granting of reverse mortgages. They may perform any accessory activities necessary for the better pursuit of their principal activity. Credit financial establishments may carry out, in addition to the aforementioned activities, the provision of payment services and the issuing of electronic money⁵, by obtaining one specific authorization. This being the case, credit financial establishments shall be deemed as hybrid payment institutions or hybrid electronic money institutions and would be subject to the provisions applicable to such institutions. They are prohibited from raising funds from the general public and are therefore not required to form part of a Deposits Guarantee Fund. They can nevertheless take repayable funds through the issue of securities, in accordance with the provisions of Law 6/2023, of 17 March, on Securities Markets and Investment Services (LMVSI) and its enabling regulations, subject to the requirements and limitations imposed specifically in respect of EFCs. EFCs are able to securitize their assets, in accordance with the provisions of the legislation on securitization funds.
Minimum capital	• Minimum capital stock of €5 million. Must be fully subscribed and paid in.
Managing body	• The Board of Directors must have no fewer than three members. • All members of the entity's Board of Directors, and those of the Board of Directors of its parent company where there is one, must be persons of good repute in business and professional terms, have the knowledge and experience necessary for the performance of their functions, and be committed to the good governance of the entity. • The requirements with respect to good repute and knowledge and experience also apply to general managers or persons holding similar positions, to those in charge of the internal control functions, and to those holding other positions which play a key part in the day-to-day pursuit of the activities of the entity and of its parent company. • Registration of managers, directors or similar executives on the Register of Senior Officers.
Shares	• Shares must be registered. • Divided into number and class. • Possible restrictions on their transferability.
Formation of credit financial establishments	• It is up to the Ministry of Economy, Commerce and Business to authorize the formation of credit financial establishments. • Must be registered on the Special Register of the Bank of Spain. • Must take the form of a corporation incorporated under the simultaneous foundation procedure for an indefinite term.

⁵ In the terms described in sections 2.3.2 and 2.3.3, of this annex.

Royal Decree-Law 14/2013, of November 29, 2013, on urgent measures to adapt Spanish law to the EU legislation on supervision and solvency of financial institutions (hereinafter, "**Royal Decree-Law 14/2013**") modified the legal regime for Credit Financial Establishments which, from January 1, 2014, and until a new regime is approved for them (envisaged in the Bill on Promoting Business Finance), lose their status as credit institutions.

This regime has been approved by Law 5/2015 of April 27, 2015, on the promotion of business financing, according to which credit financial establishments cannot be classed as credit institutions. This law nevertheless envisages the supplementary application of the legislation on credit institutions in all areas not specifically addressed by the legislation on credit financial establishments. In particular, the rules established for credit institutions which are applicable to credit financial establishments include the following: those on significant holdings, suitability and incompatibility of persons in senior management positions, corporate governance, solvency, transparency, the mortgage market, the regime on insolvency and prevention of money laundering and financing of terrorism.

As of December 31, 2024, 23 Credit Financial Institutions had registered on the Bank of Spain's Administrative Register.

2.3.2 PAYMENT INSTITUTIONS

Regulated by Royal Decree 19/2018, of 23 November, on payment services and other urgent financial measures, payment institutions⁶ are those legal entities, other than credit institutions and electronic money institutions, which have been granted authorization to lend and execute payment services, that is,

⁶ Payment institutions have their origin in currency-exchange bureau.

services that permit effective deposits in a payment account, and those enabling cash withdrawals, the execution of payment transactions, and the issuance and acquisition of payment instruments and money remittances. Payment institutions are not authorized to collect deposits from the general public or to issue electronic money. In this regard, it should be noted Ministerial Order EHA 1608/2010, of June 14, 2010, on transparency of conditions and reporting requirements applicable to payment services, and Royal Decree 736/2019 of 20 December on the legal regime for payment services and payment institutions and amending Royal Decree 778/2012 of 4 May on the legal regime for electronic money institutions and Royal Decree 84/2015 of 13 February implementing Law 10/2014 of 26 June on the organisation, supervision and solvency of credit institutions which supplement the above-mentioned Law 16/2009.

As of December 31, 2024, there are officially registered at the Bank of Spain 53 payment institutions, and 9 branches of non-Spanish EU payment institutions.

2.3.3 ELECTRONIC MONEY INSTITUTIONS

Electronic money institutions (introduced by Law 44/2002 on Measures for the Reform of the Financial System or Financial Law) are credit institutions specialized in issuing electronic money, that is, monetary value represented by a claim on its issuer: a) stored on an electronic device, b) issued on receipt of funds of an amount not less in value than the monetary value issued, and c) accepted as a means of payment by undertakings other than the issuer. As a consequence of the development of the sector, which made it advisable to amend the regulatory framework of the electronic money institutions and of the issuance of electronic money, the Electronic Money Law 21/2011, of July 26, 2011, has been

approved and implemented by Royal Decree 778/2012, of May 4, 2012, on the legal regime for electronic money institutions. The aim of this law is threefold: (i) to make regulation of the issuance of electronic money more specific, clarifying the definition of electronic money and the scope of application of the law, (ii) to remove certain requirements that are deemed inappropriate for electronic money institutions, and (iii) to guarantee consistency between the new legal regime for payment institutions, described above, and electronic money institutions. In this regard, electronic money institutions are also authorized to provide all the payment services typical of payment institutions. As in the case of payment institutions, these entities cannot take deposits or other repayable funds from the public.

As of December 31, 2024, there are 12 electronic money institutions officially registered at the Bank of Spain and 8 branches of non-Spanish EU electronic money institutions.

2.3.4 MUTUAL GUARANTEE AND COUNTER-GUARANTEE SOCIETIES

Mutual guarantee societies were first introduced in 1978 and since then have operated in the area of medium- and long-term financing of small and medium-sized enterprises, to which they provide guarantees, mainly, through endorsements. The legal regime by which they are regulated is established in Law 1/1994 of March 11, 1994 on the Legal Regime governing Mutual Guarantee Societies and the corresponding enabling regulations.

As of December 31, 2024, there were a total 18 mutual guarantee societies registered at the Bank of Spain.

Their corporate purpose is as follows:

- To provide their members with access to credit and to credit-related services.
- To improve the financial conditions of their members.
- To provide personal guarantees in any lawful form, other than in the form of an insurance surety.
- To provide financial advice and assistance to their members.
- To take holdings in companies and associations whose sole purpose is to engage in activities for small and medium-sized companies. To this end, they must have the required reserves and obligatory provisions.

Members of mutual guarantee societies can be of two types: (i) participating members and (ii) protector members.

Counter-guarantee societies, which are classed as financial institutions for the purposes of Law 1/1994, with the legal form of corporations, and which necessarily have an ownership interest held by the State, coexist with these mutual guarantee societies. Their purpose is to provide sufficient coverage and assurance for the risks assumed by the mutual guarantee societies, also furnishing the cost of the guarantee for the members. The legal regime applicable to them is supplemented by Royal Decree 2345/1996 of November 8, 1996, setting out the rules on the administrative authorization of and solvency requirements applicable to counter-guarantee societies, and Royal Decree 1644/1997 of October 31, 1997, setting out the rules on the administrative authorization of and solvency requirements applicable to counter-guarantee societies. At December 31, 2024, there was one counter-guarantee company registered with the Bank of Spain.

2.3.5 VALUATION COMPANIES

These companies are authorized to perform appraisals of real estate for certain types of financial institutions, in particular those related to the mortgage market.

Officially approved valuation companies are registered and supervised by the Bank of Spain. Their administrative rules, which aim to enhance the quality and transparency of appraisals, are established in Royal Decree 775/1997 of May 30, 1997, and Law 2/1981 regulating the mortgage market.

As of December 31, 2024, there are 31 valuation companies officially registered at the Bank of Spain.

2.4 COLLECTIVE INVESTMENT SCHEMES

2.4.1 FEATURES

Collective investment schemes (*instituciones de inversión colectiva*, or IICs) are vehicles designed to raise funds, assets or rights from the general public to manage them and invest them in assets, rights, securities or other instruments, financial or otherwise, provided that the investor's return is established according to the collective results.

The favorable tax treatment enjoyed by collective investment schemes in Spain has led to a considerable increase both in the number of these vehicles and the volume of their investments.

According to data published by INVERCO, (the Spanish Association of Collective Investment Schemes and Pension Funds), the financial

savings (financial assets) of Spanish households at the end of September 2023, according to data from the Bank of Spain, stood at €3.07 trillion euros. In the third quarter, Spanish households increased their balance of financial assets by 0.8% compared to the end of June, but maintaining a 4.7% increase from December 2023.

The returns generated by the financial markets accounted for the entire increase in the volume of Spanish households' financial assets during the third quarter of 2024, thus offsetting the divestments carried out by households in the third quarter of the year (€20,149 million). Thus, asset revaluations due to the market effect exceeded €43,337 million.

By component, the weighting of Collective Investment Institutions experienced a new increase and now represents 16.1% of the total financial savings of Spanish households, marking a new all-time high. In the third quarter of the year, mutual funds were the only financial asset that recorded positive inflows, channelling €11,437 million from Spanish households. The acquisition of fixed income by Spanish households recorded the first net disinvestments since the first quarter of 2022 (-€725 million)⁷.

In addition to the abundant sectorial legislation, the basic rules for IICs are contained in Collective Investment Scheme Law 35/2003, of November 4, and its implementing regulation, approved by Royal Decree 1082/2012, of July 13, 2012⁸. This legislation transposes the latest version of Directive 2009/65/EC⁹ of the European Parliament and of the Council of July 13, 2009 on the coordination of laws, regulations and administrative provisions relating to Undertakings for Collective Investment in Transferable Securities (UCITS).

Spanish collective investment schemes may be of two types:

- Financial: their primary activity is to invest in or manage transferable securities. These include investment companies

and securities funds, money market funds and other institutions whose corporate purpose is to invest in or manage financial assets.

- Non-financial: they deal mainly in real asset assets for operation purposes and include real estate investment companies and funds. Of note in this regard is the creation of Listed Corporations for Investment in the Real Estate Market (*Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario*, SOCIMIs) whose main activity is to acquire and develop urban real estate for lease activities.

As for the legal form that the various schemes may take, the legislation envisages two alternatives:

- Investment Companies: these are collective investment schemes that take the form of a corporation (and therefore have legal personality) and whose corporate purpose is to raise funds, assets or rights from the general public to manage them and invest them in assets, rights, securities or other instruments, financial or otherwise, provided that the investor's return is established according to the collective results. The management of an Investment Company is entrusted to its board of directors, although the general meeting —or the board of directors by delegation— has the authority to resolve upon the appointment of an SGIC as the party responsible for guaranteeing compliance with the provisions of Royal Decree

⁷ <https://www.inverco.es/archivosdb/2409-ahorro-financiero-de-las-familias-espanolas.pdf>

⁸ As amended by Law 6/2023 of 17 March on the Securities Markets and Investment Services.

⁹ Modified by Directive 2014/91/EU of the European Parliament and of the Council of July 23, 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions.

1082/2012 of July 13, 2012 approving the enabling Regulations for Law 35/2003 of November 4, 2003 on collective investment institutions (the IIC Regulation). If the Investment Company does not appoint a SGIIIC, the company itself shall be subject to the regime for SGIIICs established in Royal Decree 1082/2012. The SGIIIC appointed, or the Investment Company if a SGIIIC has not been appointed, may in turn delegate the management of investments to another financial institution or institutions in the manner and subject to the requirements set out in the IIC Regulation. The number of shareholders may not be less than 100. In the case of multiple compartment SICAVs, the number of shareholders may not be less than 20, and the total number of shareholders of the SICAV may not be less than 100 under any circumstances.

Financial Investment Companies will be formed as open-ended investment companies (*sociedades de inversión de capital variable, or SICAV*) with variable capital, that is, capital that may be increased or reduced within the maximum or minimum capital limits set in their bylaws, by means of the sale or acquisition by the company of its own shares. Shares will be issued and bought back by the company at the request of any interested party according to the corresponding net asset value on the date of the request. The acquisition of own shares by the SICAV, in an amount between the initial capital and the limit per the bylaws, will not be subject to the restrictions established for the derivative acquisition of own shares in the Capital Companies Law. Since they are listed companies, SICAV shares must be represented by book entries (the unofficial market habitually used for trading the shares of SICAVs is the Alternative Stock Market (*Mercado Alternativo Bursátil, MAB*)). Non-financial Investment Companies will be closed-end companies, i.e. they will have a fixed capital structure.

It is obligatory for SICAVs to have a depositary.

- Investment Funds: these are pools of assets with no legal personality divided into a number of transferable units (with no par value) with identical properties belonging to a group of investors (unit-holders) who may not be fewer than 100. In the case of multiple compartment investment funds, the number of unit-holders in each of the compartments may not be less than 20 and the total number of unit-holders of the investment fund may not be less than 100 under any circumstances. The subscription or redemption of the units depends on their supply or demand, so their value (net asset value) is calculated by dividing the value of the assets of the fund by the number of units outstanding. Payment on redemption will be made by the depositary within a maximum of three business days from the date of the net asset value applicable to the company.

A fund is managed by Management Company of Collective Investment Schemes that has the power to dispose of the assets, although it is not the owner of the assets. A Depositary is the company responsible for the liquidity of the securities and, as the case may be, for their safe-keeping. Both companies are remunerated for their services through fees.

Listed investment funds are those whose units are admitted to trading on a stock exchange, for which purpose they must meet a number of requirements.

A distinction may also be drawn between collective investment schemes according to whether they are subject to Spanish or European legislation:

- Spanish Collective Investment Scheme (IIC) legislation:

Spanish IICs are investment companies with registered office in Spain and investment funds formed in Spain. They are subject

to Spanish IIC legislation, which reserves the corresponding activity and name for them.

Foreign IICs are any IICs other than those mentioned in the preceding paragraph. If they wish to be traded in Spain, they must meet certain requirements established in the applicable legislation.

- European Collective Investment Scheme (IIC) legislation:

Harmonized IICs are IICs authorized in an EU Member State in accordance with the UCITS legislation.

Non-harmonized IICs are IICs domiciled in an EU Member State that do not meet the requirements established in the UCITS legislation and IICs domiciled in non-EU Member States. In addition, Collective Investment Schemes of Free Investment, commonly known in the market as *Hedge Funds*¹⁰, are in any case considered as non-harmonized IICs. Collective Investment Schemes of Free Investment may invest in financial assets and instruments and in derivatives, regardless of the nature of the underlying assets. Such investments must respect the general principles of liquidity, risk diversification and transparency, but are not subject to the rest of the investment rules established for IICs.

¹⁰ Directive 2011/61/EU of the European Parliament and of the Council of June 8, 2011, on alternative investment fund managers, lays down the rules applicable to the ongoing operation and transparency of the managers of alternative investment funds which manage and/or market alternative investment funds throughout the EU. Royal Decree 1082/2012, of July 13, 2012, approving the implementing regulations of Law 35/2003, introduced some of the new requirements set forth under Directive 2011/61/EU. In addition, on November 13, 2014, the Official State Gazette published Law 22/2014, of November 12, 2014, regulating venture capital entities, other closed-ended type collective investment entities and the management companies of closed-ended type collective investment entities, and amending Law 35/2003, of November 4, 2003 on collective investment schemes the main purpose of which is to transpose Directive 2011/61/EU, on Alternative Investment Fund Managers into Spanish law.



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The Spanish National Securities Market Commission (CNMV) is the body in charge of supervising IICs. In this respect, both investment companies and investment funds require prior authorization from the CNMV for their formation. After their formation and registration at the Commercial Registry (the registration requirement is not obligatory for investment funds), the CNMV registers the IIC and its prospectus on its register.

The asset and capital requirements of the main types of IICs include the following:

- Financial investment funds will have minimum assets of €3,000,000. In the case of multiple compartment funds, each compartment must have at least €600,000 in assets and the total minimum capital paid in may not be less than €3,000,000 under any circumstances.
- The minimum capital of Open-End Investment Companies (SICAVs) will be €2,400,000, which must be fully subscribed and paid in. In the case of multiple compartment SICAVs, each compartment must have minimum capital of €480,000 and the total minimum capital paid in may not be less than €2,400,000 under any circumstances.
- The minimum capital stock of real estate investment companies will be €9,000,000. In the case of multiple compartment companies, each compartment must have capital of at least €2,400,000 and the total capital of the company may not be less than €9,000,000 under any circumstances.

A brief comment should also be made regarding the trading¹¹ of foreign IICs in Spain which, subject to fulfillment of the formalities and requirements established in the legislation, requires that a distinction be drawn between:

- Harmonized IICs, which may trade in Spain unrestricted once the competent authority in the home Member State informs them that it has sent the CNMV a notification with the relevant information.
- Non-harmonized IICs and IICs authorized in a non-EU Member State, which require express authorization from the CNMV and registration on its registers.

2.4.2 MANAGEMENT COMPANIES OF COLLECTIVE INVESTMENT SCHEMES

The key features of Management Companies of Collective Investment Vehicles (SGIICs) are as follows:

- They are corporations which have as their corporate purpose the management of investments, the control and management of risks, administration, representation and the management of subscriptions and redemptions of investment funds and companies. They may also market the participation units or shares of IICs.
- Moreover, SGIICs may be authorized to engage in the following activities:
 - a. Discretionary and individualized investment portfolio management.
 - b. Administration, representation, management and marketing of venture capital entities, closed-ended collective investment entities, European venture capital funds (EVCf) and European social entrepreneurship funds (ESEF).

- c. Investment advice.
 - d. Safe-keeping and management of units of investment funds and, as the case may be, of shares of investment companies, EVCf and ESEFs.
 - e. Receipt and transfer of customer orders relating to one or more financial instruments.
- It falls on the CNMV to grant prior authorization for the formation of an SGIIC. Once formed, in order to commence its operations, the SGIIC must be registered at the Commercial Registry and on the appropriate CNMV register.
 - SGIICs must, at all times, have equity¹² that may not be less than the larger of the following amounts:
 - a. Minimum capital stock of €125,000 fully paid in and increased by certain proportions established in the IIC regulations according to certain circumstances.
 - b. 25% of the overheads charged in the income statement for the prior year. Overheads will comprise personnel expenses, general expenses, levies and taxes, amortization/ depreciation charges and other operating charges.

¹¹ Subject to the requirements laid down in Directive 2011/61/EU.

¹² SGIICs may be exempt from compliance with some of the obligations of the Law, as provided for in the regulations, where they meet the following requirements: they only manage investment firms and the managed assets are less than a) €100 million, including assets acquired by using leverage, or b) €500 million where the investment firms they manage are not leveraged and have no right of reimbursement that may be exercised during a period of five years after the date of initial investment.



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- The current legislation introduces the necessary provisions to ensure the correct functioning of the cross-border fund management company passport, enabling Spanish SGICs to manage funds domiciled in other EU Member States and SGICs from other Member States to manage Spanish funds.
- In addition, regarding cross-border activities of SGICs, the following may be noted:
 - SGICs authorized in Spain may engage in the activity to which the foreign authorization refers, either through a branch or under the freedom to provide services, after fulfilling all formalities and requirements established by law.
 - Foreign SGICs may engage in their activities in Spain either by opening a branch or under the freedom to provide services, provided that they satisfy the relevant statutory formalities and requirements.
- Any individual or legal entity that, alone or acting in concert with others, intends to, directly or indirectly, acquire a significant holding¹³ in a Spanish SGIC or to, directly or indirectly, increase their holding in that SGIC so that either the percentage of voting rights or of capital they hold is equal to or greater than 20%, 30% or 50%, or by virtue of the acquisition they could come to control the SGIC, they must first notify the CNMV in order to secure a statement of non-opposition to the proposed acquisition, indicating the amount of the expected holding and including all the information required by law. Acquiring or increasing significant holdings in breach of the law constitutes a very serious infringement. In addition, any

¹³ Where "significant holding" means a holding in a SGIC that amounts, directly or indirectly, to at least 10% of the capital or voting rights of the institution. Where a holding makes it possible to exert a notable influence at the institution, it will also be considered a significant holding even if it does not amount to 10%.

individual or legal entity that, directly or indirectly, intends to dispose of a significant holding in an SGIC, to reduce their holding so that it falls below the thresholds of 20%, 30% or 50%, or that, as a result of the proposed disposal, may lose control of the credit institution, must give prior notice to the CNMV.

Likewise, any individual or legal entity that, alone or acting in concert with others, has acquired, directly or indirectly, a holding in a management company, so that the percentage of voting rights or of capital that they hold is equal to or greater than 5%, must give immediate written notice to the CNMV and the SGIC in question, indicating the amount of the resulting holding.

INVESTMENT AND ANCILLARY SERVICES

Basic regulation

- Reception and transmission of client orders relating to one or more financial instruments.
- Execution of those orders on behalf of clients.
- Dealing on own account.
- Discretionary portfolio management.
- Placement of financial instruments, whether on or not on a firm commitment basis.
- Underwriting of an issue or a placement of financial instruments.
- Provision of investment advice.
- Management of multilateral trading systems.
- Management of Organised Trading Facilities.

2.5 INVESTMENT FIRMS

2.5.1 FEATURES

Investment Firms are companies whose main activity is to provide professional investment services to third parties on financial instruments subject to securities market legislation.

Under Spanish law, investment firms provide the following investment and ancillary services:



< CONTINUED FROM THE PREVIOUS PAGE

INVESTMENT AND ANCILLARY SERVICES

1

a. Safekeeping and administration of financial instruments for the account of clients, including custody and related services such as cash management and collateral management and excluding the maintenance of securities accounts at the highest level.

2

b. Granting credits or loans to investors to allow them to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction.

3

c. Advising companies on capital structure, industrial strategy and related matters, and providing advice and services relating to mergers and acquisitions.

4

Corporate purpose

d. Services related to operations for the underwriting of issues or placing of financial instruments.

5

e. Preparation of investment and financial analysis reports or other forms of general recommendations relating to transactions in financial instruments.

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f. Foreign exchange services where these are related to the provision of investment services.

7

g. Investment services and ancillary services related to the non-financial underlying of certain financial derivatives when these are related to the provision of investment services or to ancillary services.

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No person or entity may professionally provide the investment services or ancillary services listed in letters a), b), d) f), and g) above in relation to financial instruments unless they have been granted the mandatory authorization and are registered on the appropriate administrative registers. In addition, only the institutions authorized for that purpose may market investment services or solicit clients professionally, either directly or through regulated agents.

The legal regime for Investment Firms is contained in the Securities Market Law and in Royal Decree 217/2008. These pieces of legislation transpose into Spanish law the EU MiFID legislation¹⁴.

There are four types of Investment Firms:

- Broker-dealers (*Sociedades de Valores*): these are investment firms that can operate both for their own and for the account of others, and that provide the full range of investment and ancillary services. Their capital stock must be at least €730,000.

As of December 31, 2024, there were 39 broker-dealers registered on the CNMV's Administrative Register¹⁵.

- Brokers (*Agencias de Valores*): investment firms that can only operate professionally for the account of others, with or without representation, and that provide the full range of investment services except for those described in letters c) and f) above, and the full range of ancillary services except for those mentioned in letter b).

Their capital stock will depend on the activities they pursue. As a general rule, their share capital cannot be less than €125,000. However, brokers which are not authorized to take deposits of funds or transferable securities from their clients are able to have a share capital of €50,000.

As of December 31, 2024, there were 60 brokers registered on the CNMV's Administrative Register.

- Portfolio management companies (*Sociedades Gestoras de Carteras*): these investment firms can only provide the investment services described in letters d) and g) and the ancillary services described in letters c) and e). They are required to have (i) an initial capital of €50,000, or (ii) a professional indemnity insurance, surety or some other comparable guarantee against liability arising from professional negligence, covering the whole territory of the European Union and providing coverage of at least €1,000,000 applying to each claim and in aggregate €1,500,000 per year for all claims, or (iii) a combination of initial capital and professional indemnity insurance in a form resulting in a level of coverage equivalent to that referred to in points (i) and (ii) above.

As of December 31, 2024, there were no portfolio management companies registered on the CNMV's Administrative Register.

¹⁴ It should be noted that in 2014, Directive 2014/65/EU of the European Parliament and of the Council, of May 15, 2014, on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID II), which repeals Directive 2004/39/EC of the European Parliament and of the Council, of April 21, 2004, on markets in financial instruments (MiFID I) and a new Implementing Regulation (MIFIR), which replaces the former legislation 648/2012, were approved. However, to date, MiFID II has not yet been transposed into Spanish legislation.

¹⁵ <https://www.cnmv.es/Portal/Consultas/ListadoEntidad.aspx?id=1&tipoent=0>

- Financial advisory firms (*Empresas de Asesoramiento Financiero*): these are individuals or legal entities that can only provide the investment services listed in letter g) and the ancillary services indicated in letters c) and e). In the case of legal entities, they must have (i) initial capital of €50,000, or (ii) a civil liability insurance policy that covers the entire territory of the European Union, a guarantee or other comparable guarantee, with a minimum coverage of €1,000,000 for claims for damages, and a total of €1,500,000 per year for all claims, or (iii) a combination of initial capital and a professional civil liability insurance policy that gives rise to coverage equivalent to that described in points (i) and (ii) above.

A novelty brought about by the LMVSI is the creation of the category of national financial advisory firms, a category intended for natural persons providing financial advisory services.

As of December 31, 2024, there were 89 financial advisory firms registered on the CNMV's Administrative Register and 55 national financial advisory firms.

In addition, credit institutions may provide on a regular basis the full range of investment and ancillary services where their legal regime, their bylaws and their specific authorization enables them to do so. Likewise, collective investment scheme management companies (SGIICs) may provide certain investment and ancillary services provided that they are authorized to do so.

The conditions for taking up business can be summarized as follows:

- Internal organization: the Securities Market Law and Royal Decree 217/2008¹⁶ are very exhaustive on the internal organization requirements that investment firms must meet.

- Authorization and registration: it falls to the CNMV to authorize investment firms.

In order to secure authorization as an investment firm, the following broad requirements must be met:

- Its sole corporate purpose must be to engage in the specific activities of investment firms.
- It must take the form of a corporation, incorporated for an indefinite term, and the shares comprising its capital stock must be registered shares.
- The minimum capital stock must be fully paid in in cash.
- It must have a board of directors made up of no fewer than three members.
- The chairmen, deputy chairmen, directors or administrators, general managers and persons holding equivalent positions are required to be of good repute and to have the knowledge and experience necessary for the performance of their functions, and be committed to the good governance of the investment firm. In the case of the parent companies of investment firms, the honorability requirement also applies to the chairmen, deputy chairmen, directors or administrators, general managers and persons holding equivalent positions and a majority of the members of the board of directors are required to have the knowledge and experience required for the performance of their functions.

The requirements with respect to good repute, knowledge and experience also apply to the persons in charge of the internal control functions and to those holding other positions which play a key part in the day-to-day pursuit of the activities of an investment firm and its parent company.

- It must have an internal code of conduct.
- It must join the Investment Guarantee Fund where so required.
- It must have presented a business plan reasonably evidencing that the investment firm's project is viable in the future.
- It must have submitted appropriate documentation on the conditions and the services, functions or activities to be subcontracted or outsourced, to permit verification that this fact does not invalidate the requested authorization.

2.5.2 THE REGIME GOVERNING SIGNIFICANT HOLDINGS AND CHANGES OF CONTROL AT INVESTMENT FIRMS

Pursuant to the regime governing significant holdings for investment firms, they must notify the CNMV, for its preliminary assessment, of any acquisitions amounting to more than 10% of capital or of voting rights, and of any significant holding that is increased so that the percentage of capital or voting rights becomes equal to or greater than 20%, 30% or 50%, or control of the firm is acquired. In addition, any individual or legal entity that has decided to dispose, directly or indirectly, of a significant holding in an investment firm, must first notify the CNMV of such circumstance.

Also, any individual or legal entity that, alone or acting in concert with others, has acquired, directly or indirectly, a holding in a Spanish investment firm, so that the percentage of voting rights or of capital that they hold is equal to or greater than

¹⁶ It should be noted that the modifications made to this Law by final provision 4 of Royal Decree 1464/2018 of 21 December. Ref. BOE-A-2018-17879, will have effect from April 17, 2019, as established in transitory provision 1 of the aforementioned regulation.

5%, must give immediate written notice to the CNMV and to the investment firm in question, indicating the amount of the resulting holding.

2.5.3 CROSS-BORDER ACTIVITIES OF INVESTMENT FIRMS

- Spanish investment firms may provide, in other EU Member States, the investment services and ancillary services for which they are authorized, either through a branch or under the freedom to provide services, subject to the fulfillment of the established legal formalities.
- Investment firms authorized in another EU Member State may provide investment and ancillary services in Spain, either by opening a branch or under the freedom to provide services, subject to the statutory notification procedure.
- Non-EU investment firms intending to open a branch in Spain or to operate under the freedom to provide services are subject to the authorization procedure.

2.6 CLOSED-ENDED TYPE COLLECTIVE INVESTMENT ENTITIES

2.6.1 FEATURES

Law 22/2014, of November 12, 2014, regulating venture capital entities, other closed-ended type collective investment entities and the management companies of closed-ended type collective investment entities, and amending Law 35/2003, of November 4,

on collective investment schemes¹⁷ (Law 22/2014) amends the law on venture capital entities in Spain, by repealing Law 25/2005, of November 24, 2005, on venture capital entities and their management companies.

The term “closed-ended type investment” is defined as that performed by venture capital entities and other collective investment entities at which, in accordance with their divestment policies, (i) all divestments by their members or unit-holders must take place at the same time, and (ii) the sums received in respect of divestment must be received according to the amount due to each member or unit-holder by reference to the rights they hold under the terms established in the bylaws or regulations.

Closed-ended type collective investment must be carried out in Spain by two types of entities:

- “Venture capital entities” or **ECR** (*Entidades de Capital Riesgo* with a similar definition to that provided in Law 25/2005), which can take the form of funds (**FCR** – *Fondos de Capital Riesgo*) or companies (**SCR** – *Sociedades de Capital Riesgo*), and
- Other types of entities which the Law 22/2014 calls “closed-ended type collective investment entities” (**EICC** – *Entidades de Inversión Colectiva de Tipo Cerrado*), a new vehicle created by the Law 22/2014 which are defined as collective investment entities which, without having any commercial or industrial purpose, obtain capital from a number of investors, through marketing activities, to invest it in all types of assets, financial or otherwise, subject to a predefined investment policy. Closed-ended type investment entities can be either funds (**FICC**) or companies (**SICC**). This new type of entity will include any companies that might have been operating in Spain by investing in non-listed securities but failed to meet the requirements under the regime for investments and diversification of venture capital.

Both types of entities must be managed by an authorized management company in accordance with the Law 22/2014¹⁸. The basic difference between venture capital entities (ECRs) and closed-ended type collective investment entities (EICCs) is that venture capital entities have a smaller investment scope than closed-ended type collective investment entities. Mirroring the requirement in the now repealed Law 25/2005, venture capital entities have to restrict their investment activities to acquiring temporary interests in the capital of enterprises other than real estate or financial enterprises which, when the interest is acquired are not listed on a primary stock market or on any other equivalent regulated market in the European Union or of the in any other OECD member participants, whereas, as mentioned above, closed-ended type collective investment entities can invest in “all types of assets, financial or otherwise”.

At December 31, 2024, there were 48 SICCs and 73 FICC entered on the CNMV's Administrative Register.

Law 22/2014 also regulates three new types of entities:

- European venture capital funds (**EVCF**), subject to the rules in Regulation (EU) No 345/2013 of the European Parliament and of the Council of April 17, 2013, on European venture funds. They must be registered in the register set up for them at the CNMV, and
- European social entrepreneurship funds (**ESEF**), subject to the rules contained in Regulation (EU) No 346/2013 of the European Parliament and of the Council of April 17, 2013 on European social entrepreneurship funds. They must be entered in the register set up for them at the CNMV.

¹⁷ As amended by Law 6/2023 of 17 March on the Securities Markets and Investment Services.

¹⁸ In the case of the SCR and the SICC, the company itself can act as management company, if its managing body decides not to designate an external manager. These “self-managed” SCRs and SICCs are subject to the regime set out in Law 22/2014 for SGEICs, on which further information is provided in point 2.6.2 below.

- c. It creates a special type of SME venture capital entity, an **ECR-Pyme**, taking the form of either SME venture capital companies (SCR-Pyme) and SME venture capital funds (FCR-Pyme) (art. 20 Law 22/2014). These must hold, at least, 75% of their computable assets in certain financial instruments providing funding to small and medium-sized enterprises meeting a number of requirements at the time of the investment.

Therefore, Law 22/2014 regulates the legal regime of such entities as well as marketing regime of their shares or units in Spain and abroad.

2.6.2 MANAGEMENT COMPANIES OF CLOSED-ENDED TYPE COLLECTIVE INVESTMENT ENTITIES

Collective investment entity management companies are Spanish corporations (*sociedades anónimas*) whose corporate purpose is to manage the investments of one or more venture capital entities and/or closed-ended type collective investment entities, and monitor and manage their risks. Each venture capital entity and closed-ended type collective investment entity will have only one manager which must be a collective investment entity management company. Venture capital companies and closed-ended type collective investment companies can act as their own management company (**self-managed companies**).

A description has been provided of the activities that can be carried on by collective investment entity management companies (there are some specific provisions in relation to self-managed companies and certain restrictions have been imposed), and a distinction is drawn between:

- a. Primary activity: investment portfolio management and risk monitoring and management with respect to the entities they manage (venture capital entity, closed-ended type collective

investment entities, European venture capital funds or European social entrepreneurship funds).

- b. Additional activities: administrative and marketing tasks and activities related to the entity's assets.
- c. Ancillary services: discretionary investment portfolio management, advisory services on investment, safe-keeping and administration of the units and shares of venture capital entities and closed-ended type collective investment entities (and, if applicable, European venture capital funds and European social entrepreneurship funds) and receipt and transmission of orders of customers in relation to one or more financial instruments.

A strict regime for obtaining the CNMV's authorization is established. Additionally, the CMNV must be notified of any significant change to the circumstances in which the original authorization was granted.

2.7 INSURANCE AND REINSURANCE COMPANIES AND INSURANCE INTERMEDIARIES

In light of the security, it provides to individuals and traders and the positive role it plays in encouraging and channeling savings into productive investments, the insurance industry is subject to comprehensive legal regulations and tight administrative control. In this regard, insurers are required to invest part of the premiums they receive in assets that ensure security, profitability and liquidity.

The industry is supervised by the Directorate-General of Insurance and Pension Funds (DGS), attached to the Ministry of Economy, Commerce and Business, and the basic legal regime for insurance in Spain is as follows:

- Insurance firms:
 - a. The legislation on insurance firms is contained in Law 20/2015 of July 14, 2015, on the Regulation, Supervision and Solvency of insurance and reinsurance entities, and Royal Decree 1060/2015 of November 20, 2015 on the regulation, supervision and solvency of insurance and reinsurance entities, which contain, in revised form, the provisions of the previous legislation which remain in force, the new solvency system introduced by the so-called Solvency II Directive (Directive 2009/138/EC of the European Parliament and of the Council of November 25, 2009) and other rules intended to bring the legislation into line with the sector's development.
 - b. The legislation on insurance intermediaries is contained in Private Insurance and Reinsurance Intermediation Law 26/2006, of July 17, 2006.
 - c. The legislation on insurance contracts is contained in the Insurance Contract Law 50/1980, of October 8, 1980.

An *insurer* is a company that engages in the business of performing direct insurance transactions and which may also accept reinsurance transactions in the lines for which it is authorized to do direct insurance business. This is an exclusive and excluding business, that is, insurance contracts can only be formalized by insurers that are duly authorized by the Ministry of Economy, Commerce and Business and registered on the register of the DGS, and insurers cannot perform transactions other than those defined in the above-mentioned insurance legislation. In this respect, the applicable legislation has established a specific authorization procedure for entities wishing to engage in these activities.

Insurance entities are permitted to adopt the form of a corporation (*sociedad anónima*), a European public limited liability company (*sociedad anónima europea*), a mutual insurance company (*mutua de seguros*), a cooperative society (*sociedad cooperativa*), a European cooperative society (*sociedad cooperativa europea*), or a welfare mutual insurance company (*mutualidad de prevision social*). Prior administrative authorization is required to operate in each line of insurance, which authorization implies registration on the register of insurance entities of the DGS. Foreign insurers are permitted to operate in Spain through a branch or under the freedom to provide services, if they are domiciled in other countries of the European Economic Area, and through a branch if they are domiciled in third countries.

The Spanish insurance industry continues to be characterized by the co-existence of a certain degree of concentration of the business volume in highly-competitive lines and types of insurance (life, health, motor, multi-risk insurance) which require considerable size in terms of assets and administration, with the dispersion of a minimum part of that business volume among a large number of entities operating in other types of insurance which do not require such size.

On the other hand, *reinsurance entities* are entities that undertake to reimburse insurers for the obligations they may hold vis-à-vis third parties under arranged insurance contracts, and which are covered by reinsurance. Reinsurance business can be undertaken in Spain by Spanish reinsurance companies whose sole corporate purpose is to arrange reinsurance, insurance entities themselves with respect to classes of insurance for which they are authorized and, lastly, foreign reinsurance entities which are domiciled in another country from the Economic European Area (under the freedom to provide services or through branches in Spain) or in third countries, in this latter case, either through a branch established in Spain or from the country in which their registered office is located (but not from branches located outside Spain).

The following table shows the changes in the numbers of operating Spanish insurance and reinsurance entities. The figures are broken down between direct insurance entities and pure reinsurance entities and, within the former category, by the various legal forms they take. There are currently no insurance cooperatives on the register¹⁹.

Insurance intermediaries are individuals or legal entities that, being duly entered in the DGS's special administrative register of insurance intermediaries and brokers and their senior officers, pursue the mediation between insurance or reinsurance policyholders, on the one hand, and insurance or reinsurance entities, on the other. The following are mediation activities:

- Introducing, proposing or carrying out work preparatory to the conclusion of insurance or reinsurance contracts.
- Concluding insurance and reinsurance contracts.

- Assisting in the administration and performance of such contracts, in particular in the event of a claim.

Intermediaries are classified as follows:

- Insurance agents: individuals or legal entities that conclude an agency agreement with an insurance entity. Insurance agents may be:
 - Exclusive insurance agents: they carry on the activity of insurance mediation for one insurance entity on an exclusive basis, unless the insurance entity authorizes the agent to operate solely with a different insurance entity in certain lines of insurance in which the authorizing entity does not operate.
 - Tied insurance agents: they carry on the activity of insurance mediation for one or more insurance entities.

	2011	2012	2013	2014	2015	2016	2018	2019	2020	2021	2022	2023	2024
DIRECT INSURANCE ENTITIES													
• Corporations	188	183	178	168	156	147	136	126	126	125	125	114	112
• Mutual insurance societies	34	32	32	31	31	31	30	30	28	30	28	28	28
• Welfare mutual insurance societies	55	53	52	53	50	50	48	47	45	42	36	31	29
TOTAL DIRECT INSURANCE ENTITIES	277	268	262	252	237	228	214	203	199	197	189	173	169
SPECIALIZED REINSURERS	2	2	2	3	3	3	3	4	4	4	4	10	3
TOTAL INSURANCE AND REINSURANCE ENTITIES	279	270	264	255	240	231	217	207	203	201	193	183	172

¹⁹ <http://rpp.dgsfp.mineco.es/>



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c. Bancassurance operators: these are credit institutions, credit financial establishments or companies owned or controlled by them that carry on the activity of insurance mediation through an insurance agency contract for one or more insurance entities using the distribution networks of the credit institutions or credit financial establishments (in the case of companies owned or controlled by credit institutions or credit financial establishments, such entities are required to have assigned their distribution networks to the investee or controlled company for insurance distribution purposes). The bancassurance operators may be exclusive or non-exclusive.

- Insurance brokers: individuals or legal entities that carry on the commercial activity of private insurance mediation without any contractual ties to insurance entities and that offer independent, professional and impartial advice to the client.
- Reinsurance brokers: individuals or legal entities that carry on the activity of mediation in relation to reinsurance transactions.

In the event of acquisition of holdings amounting to 5% of the share capital or the voting rights of a Spanish insurance or reinsurance entity, the DGS is required to be informed within a maximum of ten business days counted as from the acquisition date. In cases of acquisition of significant holdings (i.e. those amounting directly or indirectly to 10% of share capital or voting rights) or increases in holdings which bring them up to or over the limits of 20%, 30% or 50%, or when the acquisition may result in the control of a Spanish insurance entity, reinsurance entity or insurance brokerage being assumed, the transaction can only go ahead if the DGS has not objected to it. Where a holding makes it possible to exert a notable influence on the management of the insurance entity, reinsurance entity or insurance brokerage, it will also be considered a significant holding even if it does not amount to 10%.

2.8 PENSION PLANS AND FUNDS

2.8.1 FEATURES

The insufficiency of the Spanish social security system, and the threat of a potential crisis in the system, prompted the sentiment that social security benefits, especially retirement benefits, would have to be supplemented. Thus saving and funded pension plans emerged to ensure an adequate pension upon retirement. In 1987 the Pension Plan and Fund Law introduced in Spain a savings arrangement that has given rise to a solid long-term instrument through which investors can provide for the future. This Law resulted in the institutionalization of pension plans sponsored by employers, certain associations and financial institutions.

The savings are invested in a pension fund and are returned, capitalized, upon retirement, death, death of a spouse, orphanhood, permanent and absolute inability to work in the regular occupation or permanent and absolute inability to work, and complete disability or severe or complete dependency of the participant. This system is of great social import, since it ensures future income for the participant or beneficiary. Moreover, pension funds have high investment potential as they have to invest the funds they receive, which gives them great financial power.

The current legislation on pension plans and funds is contained in the Revised Pension Plan and Fund Law, approved by Legislative Royal Decree 1/2002, in Royal Decree 304/2004 approving the Pension Plan and Fund Regulations and in Royal Decree 62/2018.

A *pension plan* is a contract that regulates the obligations and rights of the parties to it (participants, sponsors and beneficiaries)

with the aim of determining the benefits that the participant or the beneficiary is entitled to, the conditions of that entitlement and the manner in which the plan is financed. These plans are based on contributions of savings which, duly capitalized, ensure future pensions.

The various characteristics of pension plans include, most notably, their favorable tax treatment and the restrictions on being able to draw out any of the accumulated savings prior to the occurrence of the contingency covered, except in cases of long-term unemployment or serious illness. With the entry into force of the Royal Decree 62/2018, holders of any form of pension may be able to draw out the savings related to contributions made at least 10 years ago.

Pension plans, regardless of their type, must necessarily be included in a pension fund, which are asset pools without separate legal personality created for the sole purpose of complying with pension plans, and are the investment instrument for the savings. All financial contributions from the sponsors and from the plan participants must be immediately and necessarily included in the position account of the plan in the pension fund, out of which any benefits arising under the plan will be paid.

A *pension fund* has no legal personality and must be administered, necessarily, by a management company, which keeps its accounting records, selects its investments and orders the depositary to purchase and sell assets. The following may be management companies:

- Corporations formed for this sole purpose and which have obtained the prior administrative authorization required.
- Life insurance companies authorized to operate in Spain which have obtained the prior administrative authorization required in order to manage pension funds.

In order to set up a pension fund, prior authorization from Ministry of Economy, Commerce and Business and registration of the corresponding public deed at the appropriate Commercial Registry are required.

With regard to the investments made by pension funds, the regulations currently in force have aimed to lend greater legal certainty to the investment process, with measures to encourage transparency in investment and the supply of information to participants.

In this respect, the applicable legislation has established a specific authorization procedure for entities wishing to engage in these activities.

2.8.2 DEVELOPMENTS

At the end of 2024, the number of pension plans appearing in the DGS Register totaled 2,303, compared with 2,295 the year before²⁰.

The assets managed by Pension Funds increased 7.7% thanks to the positive performance of portfolios due to improving markets. At December 31, 2024, assets managed by Pension Funds amounted to €131,833 million.

The table below shows the changes in pension funds in Spain by number of registered pension funds and managed assets.

The number of management companies entered at December 31, 2024 in the DGS Administrative Register totaled 53.

YEAR	REGISTERED FUNDS	ASSETS (€ MILLION)
1988	94	153.26
1989	160	516.87
1990	296	3,214.21
1991	338	4,898.25
1992	349	6,384.95
1993	371	8,792.74
1994	386	10,517.48
1995	425	13,200.44
1996	445	17,530.61
1997	506	22,136.26
1998	558	27,487.25
1999	622	32,260.64
2000	711	38,979.45
2001	802	44,605.62
2002	917	49,609.91
2003	1,054	56,997.34
2004	1,163	63,786.80
2005	1,255	74,686.70
2006	1,340	82,660.50
2007	1,353	88,022.50
2008	1,365	79,584
2009	1,411	85,848
2010	1,504	85,851
2011	1,570	84,107
2012	1,684	87,122
2013	1,744	93,002
2014	1,716	100,579
2015	1,631	104,000
2016	1,595	106,466
2017	1,518	110,735
2018	1,496	106,578
2019	1,357	116,419
2020	1,315	118,523
2021	2,362	127,998
2022	1,298	115,641
2023	1,182	122,385
2024	1,154	131,833

2.9 SECURITIZATION VEHICLES

In general, securitization consists of the conversion of collection rights into standardized fixed-income securities for possible subsequent trading on regulated securities markets, where they can be purchased by investors.

Securitization in Spain is carried out through securitization funds (**Securitization Funds** or **SF**). The SF is a separate pool of assets that has no legal personality, with a net asset value of zero, whose assets are made up of present or future collection rights, grouped in the manner indicated in Law 5/2015, and whose liabilities are made up of the fixed-income securities which they issue and of credit facilities granted by any third party.

Securitization funds are regulated by Law 5/2015.

SFs can be set up as closed-end funds (in which neither the assets nor the liabilities of the fund change after it is formed) and open-end funds (in which their assets and/or liabilities may be modified after they are formed).

Asset securitization vehicles are managed by specialized management companies (**securitization fund managers**) whose purpose is the formation, administration and legal representation of the fund and of banking asset funds in the terms envisaged in Law 9/2012 of November 14, 2012, on the Restructuring and Resolution of Credit Institutions. Management Companies can also set up, manage and represent funds and special purpose vehicles equivalent to securitization funds which are set up abroad in accordance with whatever legislation may be applicable.

- 1 Introduction
- 2 Financial institutions
- 3 Markets
- 4 Safeguards to protect financial services customers

3. Markets

3.1 SECURITIES MARKET

The Spanish securities market continues to see major growth, primarily due to harmonization with the markets of neighboring countries through the adoption of common European rules, and the introduction of new rules designed to streamline requirements and procedures in relation to public offerings and the admission to trading of securities on regulated secondary markets. Also, present-day securities market technical, operating and organizational systems allow for greater investment volumes. These factors have been resulting in greater transparency, liquidity and efficiency in Spanish markets.

The global financial crisis prompted large-scale volatility in stock prices, both at national and international level, associated with incipient but weak growth in the developed economies.

Spain's basic securities market legislation is contained in Law 6/2023, of 17 March, on Securities Markets and Investment Services (**Securities Market Law**).

The key features of the Spanish securities market are as follows.

3.1.1 SPANISH NATIONAL SECURITIES MARKET COMMISSION

The Spanish securities market regulations are based on the Anglo-Saxon model, focused on protecting small investors and the market itself. This was the aim behind the creation of the **National Securities Market Commission** (CNMV)²¹, which is the body responsible for supervision and inspection of the Spanish securities markets and for the activities of all who operate in them, overseeing market transparency, investor protection, and proper price formation.

The CNMV was created by Securities Market Law 24/1988, which has been adapted on an ongoing basis to the requirements of the European Union for the development of the Spanish securities markets in the European context.

Broadly speaking, its functions may be summarized as follows:

- Supervising and inspecting the Spanish securities market and the activity of all market players.
- Exercising sanctioning powers.
- Advising the Government on securities market-related matters.
- Legislative power (through circulars) for the proper functioning of the markets.

In the exercise of its powers, the CNMV receives a large amount of information, both from and about the market players, much of which is recorded in its official registers and is publicly accessible.

The CNMV's activities are aimed primarily at companies that issue or make public offerings of securities, the secondary securities markets, investment firms and collective investment schemes. Regarding the latter and also the secondary securities markets, the CNMV performs prudential supervision to ensure the security of their transactions and the solvency of the system.

The CNMV, through the National Numbering Agency, also assigns the internationally-valid ISIN and CFI codes to all issues of securities made in Spain.

²¹ | www.cnmv.es



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3.1.2 PRIMARY MARKET

The primary market means the set of rules and procedures applied to offerings of new securities and to public offerings of existing securities (OPS – public offering for subscription and OPV – public offering for sale).

Notwithstanding the freedom of issue, any issue or placement of securities requires among others, the registration of a prospectus that includes a summary of the operation, the content of which can vary depending on the type of operation²². The prospectus provides the investor with complete information on the issuer, its economic/financial position, the risks associated with the investment, and other details of interest to allow an informed investment decision to be made. The summary is a condensed version of the prospectus in terms more accessible to the unsophisticated investor.

One of the key primary market operations is the initial public offering (IPO), where one or more shareholders offer their shares to the public in general. There is no change in the capital stock, which simply changes owner (in whole or in part). In other words, no new shares are created in a secondary offering, but rather a certain number of existing shares are made available to the public in general.

3.1.3 SECONDARY MARKETS

Secondary markets are markets where existing securities are transferred by their holders to other investors.

Official secondary markets operate in accordance with established rules on conditions of access, admission to trading, operational procedures, reporting and disclosure. These rules provide

assurance for the investor and compliance is overseen by the governing company of each market (which lays down the rules) and by the CNMV.

These rules aim to guarantee market transparency and integrity, focusing on aspects such as the correct disclosure of market-sensitive information (transactions performed or events which may affect the stock price, among others), correct price formation, and the monitoring of irregular conduct by market participants, such as the use of inside information.

The Spanish secondary markets are mainly the equity markets (stock exchanges), the fixed-income markets (public and private) and the futures and options markets.

The issuers, whose securities (whether equity or fixed-income) are listed on Spanish secondary markets, are primarily corporations and Spanish credit institutions, as well as foreign subsidiaries of Spanish companies. There are also foreign companies (European, mainly) whose shares are traded on Spanish stock exchanges.

In relation to the functioning of the regulated markets, 2002 saw the formation of *Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (BME)*²³. This was the response of the Spanish markets to a new international financial environment in which investors, intermediaries and companies demand a growing range of services and products within a secure, transparent, flexible and competitive framework. BME comprises the various companies responsible for directing and managing Spain's securities markets and financial systems, including within a single group for the purposes of actions, decision-making and coordination, the following members:

- The Madrid, Barcelona, Valencia and Bilbao Stock Exchanges²⁴.

- Sociedad de Bolsas, which is the company entrusted with the management and functioning of the Sistema de Interconexión Bursátil (SIBE), the electronic trading platform of the Spanish securities market²⁵.
- The AIAF, Fixed-Income market, which is the financial bond (or fixed-income) market where securities issued by industrial companies, financial institutions and regional public bodies to raise funds to finance their activities are listed and traded²⁶.
- *Sociedad Rectora de Productos Derivados, S.A.U. (MEFF RV)* and *MEFF, Derivados de Renta Fija, S.A. (MEFF RF)*, responsible for the official Spanish futures and options market (equities and fixed-income securities, respectively)²⁷.
- SENAF, the Electronic System for the Trading of Financial Assets, which is an electronic platform where Spanish public debt securities are traded²⁸.
- *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR)*²⁹, which is the Spanish central securities depository, responsible for registering in the accounts and for clearing and settling securities admitted to trading on the Spanish stock exchanges,

²² An exception is made to this obligation where the requirements of article 35.2 of the Securities Market Law are met.

²³ www.bolsasymercados.es

²⁴ www.bolsamadrid.es; www.borsabcn.es; www.bolsavalencia.es; <http://www.bolsabilbao.es>

²⁵ www.bmerv.es

²⁶ www.aiat.es

²⁷ www.meff.com

²⁸ www.bmerf.es/esp/aspx/Portadas/HomeSENAF.aspx

²⁹ www.iberclear.es

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the Public Debt Book-Entry Market, the AIAF Fixed Income Market, and the Latibex (the Latin American Securities Market denominated in Euros). IBERCLEAR uses two technical platforms: the Securities Clearance and Settlement System (SCLV) and the Bank of Spain's Public Debt Book-Entry Office (CADE). In the former, the securities traded on the stock market are settled, while in the latter, fixed income securities (public and private) are settled.

The BME Group is carrying out a reform of the system for clearing, settling and registering securities in Spain. The reform introduces three core changes which, in turn, generate numerous operating changes: (i) transfer to a balance-based registration system, (ii) introduction of a Central Counterparty Clearing House (CCP) (BME CLEARING), and (iii) integration of the current CADE and SCLV into a single platform. The establishment of this new system is expected to take place in two successive phases: first phase (April 7, 2016), establishment of the CCP and move of SCLV (variable income) to the new system, and second phase (September 18, 2017), move of CADE (fixed income) to the new system and connection to T2S.

The main secondary markets in Spain are as follows:

A. Fixed Income

i. Public Debt Book-Entry Market

The purpose of the Public Debt Book-Entry Market is to trade fixed-income securities represented by book entries issued both by national and supranational public bodies.

The Bank of Spain is responsible for supervision and management of the Public Debt Book-Entry Market through the Public Debt Book-Entry Office.

	TYPE OF MARKET	PURPOSE	SUPERVISION, CLEARING AND SETTLEMENT	COMMENTS
Fixed Income	Public Debt Book-Entry Market	Trading of fixed-income securities represented by book entries issued both by national and supranational public bodies.	Bank of Spain, Iberclear.	- Interest rates and bond markets subject to great pressure due to worsening of worldwide financial crisis. - Significant increase in public debt held by nonresidents.
	AIAF	Trading of all kinds of private fixed-income securities, except for instruments convertible into shares.	CNMV, Iberclear.	- Expansion in recent years due to growth of Spanish fixed income market. - Members include Spain's main banks, broker-dealers and brokers.
Equity	Stock exchanges	Exclusively for trading of shares and securities which are convertible or which carry rights of acquisition or subscription.	CNMV, Iberclear.	- Trading system: trading floor and SIBE electronic trading platform. - Decrease in volume in recent years due to crisis. - Foreign investment has made a significant contribution to the growth of the Spanish securities market. - The IBEX-35, the benchmark index of the Spanish continuous market, operates in real time and reflects the capitalization of the 35 most liquid companies of the SIBE.
	Latibex	Trading of Latin American marketable securities with a price formation reference in European business hours.	CNMV, Iberclear.	- Uses the SIBE as its trading platform. - Not considered an official secondary market, although it operates in a very similar manner.
Futures and options market	Spanish financial futures market (MEFF)	Trading of financial futures and options.	CNMV and Ministry of Finance, MEFF is in charge of clearing and settlement.	- Internationally recognized. - Positive results in recent years due to growth in member numbers, new technological facilities and improvements and greater standardization in procedures.

In contrast to the traditional telephone trading system, in 2001 and 2002 the creation of the Electronic System for the Trading of Financial Assets (SENAF) was authorized, and in 2002, that of the Organized System for the Trading of Fixed-Income Securities (MTS ESPAÑA SON) managed by Market for Treasury Securities Spain, S.A. (MTS ESPAÑA). Both are Organized Trading Systems supervised by the CNMV and the Bank of Spain.

The Public Debt Book-Entry Market is particularly important in Spain and attracts both resident and non-resident investors. The favorable tax treatment enjoyed by non-residents on investments in these securities makes it a particularly attractive market. There has been a sharp increase in debt held by non-residents since the introduction of the single currency. These investors hold mainly 10- or 15-year highly-liquid strippable bonds. They come chiefly from France, Germany and the United Kingdom, beyond the EU, the growing presence of Japanese and Chinese investors is particularly noteworthy.

Mention should also be made of the centralization of money market transactions through a book-entry system and the creation of the futures and options markets, linked to the book-entry system through which public debt securities are traded.

Iberclear is in charge of registering and settling transactions in securities admitted to trading on the Public Debt Book-Entry Market. Iberclear has links with the central securities depositories of Germany, France, Italy and the Netherlands, meaning that Spanish public debt securities can be traded in those countries. Meffclear, a central counterparty in Public Debt Book-Entry securities managed by MEFF RF, began its operations in 2004.

ii. AIAF Fixed-Income Market

This is the market for trading of all kinds of private fixed-income securities (companies and private institutions), except for those instruments which are convertible into shares (which are only traded on stock exchanges), and public debt (traded through the Public Debt Book-Entry Market). It is an organized secondary market specialized in large-volume trading, meaning that it is geared towards wholesale investors (i.e. it caters primarily for qualified investors).

The AIAF market has grown rapidly in recent years owing to the expansion of fixed-income securities in Spain. It was formed in 1987, through an initiative of the Bank of Spain, aiming to put new mechanisms in place to encourage business innovations which could be carried out by raising funds through fixed-income assets. The regulatory and supervisory authorities have gradually provided it with the features required to be able to compete in its environment.

In recent years the AIAF market has grown in size and is now comparable with the fixed-income markets of other EU countries, with the special feature that it is one of the very few Official Organized Markets in Europe dedicated exclusively to private fixed-income securities.

Through the AIAF and in accordance with their fundraising strategies, issuers offer investors a variety of assets and products across the full range of maturities and financial structures.

Under the supervision of the CNMV, the AIAF market guarantees the transparency of transactions and foment the liquidity of assets admitted to trading.

The AIAF Fixed-Income Market currently has 50 members, including the leading banks, broker-dealers and brokers in the Spanish financial system. Transactions are cleared and settled through Iberclear.

B. Equity

i. Stock exchanges

The Spanish stock exchanges (Madrid, Bilbao, Barcelona and Valencia) are the official secondary markets engaged in the exclusive trading of shares and securities which are convertible or which carry rights of acquisition or subscription. In practice, equity issuers also use the stock exchanges as a primary market for initial public offering (IPO) or capital increases.

The manner in which each stock exchange functions and is organized depends on the related stock exchange governing company.

There are currently two trading systems:

1. The trading floor (i.e. the traditional system). Each of the four stock exchanges has its own trading floor. Under this system, the stock exchange members trade through an electronic floor called a "pit" (which was the place in the stock exchange where securities were traditionally traded).
2. The SIBE electronic trading platform is managed by *Sociedad de Bolsas* which connects up the four Spanish stock exchanges. It is an order-driven market, which offers real-time information on all stock price fluctuations and permits the issue of orders through computer terminals to a central computer. In this way, a single Market Order Book is managed for each security.

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Practically all the share trading in Spain is made through the SIBE. All securities admitted to trading on at least two stock exchanges can, at the request of the issuer and subject to a favorable report by the Sociedad de Bolsas and the agreement of the CNMV, be traded through this system.

	Total stock exchanges	CONTINUOUS MARKET			
		Total	Domestic	Foreign	Trading Floor
Listed on 12/31/22	130	121	115	6	9
Listed on 12/31/23	128	120	112	8	8
Listings in 2023	2	2	0	2	0
New listings	2	2	0	2	0
Listings due to mergers	0	0	0	0	0
Change of market	0	0	0	0	0
Delistings in 2023	4	1	3	2	1
Delistings	1	0	0	0	1
Delistings due to mergers	3	3	3	0	0
Change of market	0	0	0	0	0
Net variation in 2023	-2	-1	-3	2	1

Source: Annual report on securities markets and their activities for 2023. CNMV (https://www.cnmv.es/DocPortal/Publicaciones/Informes/Informe_Anual_2023_ES.pdf)

Stock market activity is measured in terms of performance indexes, based on share prices as the best indicator of market price. Thus the index shows price fluctuations and the market trend at different points in time.

The IBEX-35 is the benchmark index of the Spanish continuous market. It operates in real time and reflects the capitalization of the 35 most liquid companies traded on the electronic stock market, making it an essential information tool for brokers and dealers. The index is not subject to any kind of manipulation and the securities forming part of it are reviewed twice annually.

To be included in the index, certain guidelines must be observed, such as:

- The company must be traded on the continuous market for at least six months (control period).
- Companies with a market capitalization of less than 0.3% of the average capitalization of the IBEX-35 cannot be included.

- The security must have been traded in at least one third of the sessions in the six-month control period. If this is not the case, the security could still be chosen if it were within the top 15 securities by capitalization.
- Rules on the weighting of companies according to their free float must be observed.

The following chart shows the variations in this index in the past year.

ii. Latibex Market

The Market for Latin American Securities in Euros (Latibex) came into operation at the end of 1999. This market was formed to provide Latin American listed companies with a price formation reference in European business hours, supported by the key role played by the Spanish economy in Latin America. This market uses the SIBE as its trading platform.



Source: Bolsa de Madrid (www.bolsamadrid.es)

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Latibex is not classed as an official secondary market, although it operates in a very similar way to a stock market. It is a multilateral market, where the trades executed on the market are cleared by Iberclear in three days. There are currently 18 entities which have issued securities included in Latibex, all of which are listed on a Latin American stock exchange.

MAIN CHARACTERISTICS

Market authorized by the Spanish Government.

- **Platform for trading** and settlement in Europe of securities of the main Latin American companies.
- **Currency:** euros.
- **Trading:** through the SIBE electronic trading platform.
- **Connected to the home market by agreements between Iberclear and the Latin American central depositories or through a liaison institution.**
- **Intermediaries:** all of the members of the Spanish stock market currently operate. Latin American market operators have also joined recently.
- **Specialists:** intermediaries who undertake to offer bid / ask prices at all times.
- **Indexes:**
 - i. FTSE Latibex All Share, which includes all the companies listed on Latibex.
 - ii. FTSE Latibex Top, which brings together the 15 most liquid securities in the region listed on Latibex.
 - iii. FTSE Latibex Brazil, which brings together the most liquid Brazilian securities listed on Latibex.* The three indexes are produced in conjunction with FTSE, the Financial Times Group firm that designs and prepares indexes.
- **Transparency of information:** the listed companies provide the market with the same information they supply to the regulators of the markets where their securities are traded.

Source: BME

C. Futures and Options Market

The Futures and Options Markets are derivatives markets, and their role is to allow the risks arising from adverse fluctuations, and in relation to a particular positioning of an economic agent, to be hedged.

Up until September 9, 2013, MEFF *Sociedad Rectora de Productos Derivados S. A.* (MEFF) acted as both official secondary market and central counterparty (CCP) in respect of instruments classed in the financial derivatives segment and for electricity derivatives (MEFF Power). In addition, MEFF acted as CCP for Public Debt repos (MEFFREPO). This activity has been assumed by the new entity BME Clearing.

In order to comply with the requirements of EMIR legislation ((European Market Infrastructure Regulation, Regulation (EU) 648/2012), it became necessary to separate the market activities from the CCP activities. It is for this reason that the market activity relating to financial derivatives and electricity derivatives is carried on through MEFF *Sociedad Rectora del Mercado de Productos Derivados* (MEFF Exchange for short) and the CCP activities are pursued through BME Clearing.

MEFF Exchange is the official secondary market for financial futures and options, where fixed-income and equity financial futures and options contracts are traded. It commenced operations in November 1989 and its main activity is the trading, clearing and settlement of futures and options contracts on government bonds and the IBEX35, S&P Europe 350 indexes, and futures and options on shares. It is fully regulated, controlled and supervised by the relevant authorities (the CNMV and the Ministry of Economy, Commerce and Business), and performs trading functions as well as clearing and settlement functions, which are perfectly integrated within the electronic market developed for that purpose.

As a result of the development of derivatives markets, 2010 saw the approval of Royal Decree 1282/2010, of October 15, 2010, regulating the official markets for futures, options and other derivative instruments. Royal Decree 1282/2010 regulates in particular the creation, organization and operation at national level of official secondary markets for futures and options, i.e. the necessary authorization of these markets, the registration of derivative instruments contracts, contracts for derivative financial instruments (general conditions, suspension of trading, exclusion of contracts), the governing companies and the market members, as well as the guarantees and non-compliance schemes. On December 21, 2018, Royal Decree 1464/2018 was approved, implementing the amended text of the Securities Market Act, approved by Royal Legislative Decree 4/2015 of 23 October and Royal Decree-Law 21/2017 of 29 December, on urgent measures for the adaptation of Spanish law to European Union regulations on the securities market, which had as its objective to advance the incorporation into Spanish law of Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments (known as the "MiFID II regulatory package"), and which has as its objectives, the incorporation into Spanish Law of Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments (known as the "MiFID II regulatory package"): a) to ensure high levels of protection for investors in financial products, especially retail investors, b) to improve the organisational structure and corporate governance of investment services companies, c) to increase the safety, efficiency, smooth operation and stability of securities markets, d) to guarantee regulatory convergence that allows competition within the framework of the European Union; and e) to promote access by small and medium-sized enterprises to capital markets. Any individual or legal entity, whether Spanish or foreign, can be a client and trade on the MEFF Market, buying and/or selling futures and options.

The following chart reflects the trend, over the period 2020 to 2023, in contracts traded on MEFF Exchange.

3.1.4 OTHER SECURITIES MARKET-RELATED FIGURES

A. Takeover Bid

“Takeover bid” means a public offer made to the holders of shares or other securities of a company to acquire all or some of those securities, whether mandatory or voluntary, which follows or has as its objective the acquisition of control of the target company.

The Spanish legislation on takeover bids is mainly contained in the Securities Market Law for modification of the regime on tender offers and the transparency of issuers, and in Royal Decree 1066/2007 of July 27, 2007, on Takeover Bids. The aim of this legislation is to protect minority shareholders of listed companies.

Under that Royal Decree (subject to the exceptions it specifies), a takeover bid must be made for all the securities and addressed to all the holders of the securities, for an equitable price where:

i. Control of a listed company is attained:

A person is deemed to have attained control where:

a. He/she attains, directly or indirectly, a percentage of voting rights equal to or greater than 30% of the capital stock of the target company,

	2020	2021	2022	2023	%var. 21/20
Contracts on IBEX-35	6,395,357	5,547,599	5,693,086	4,748,769	-16.6
Futures on Ibex 35 ²	6,151,704	5,398,675	5,558,674	4,692,906	-15.6
Plus	5,905,782	5,260,568	5,445,516	4,615,051	-15.3
Mini ²	154,351	92,657	93,450	61,215	-34.5
Dividend impact	91,571	45,450	19,708	16,440	-15.6
Options on Ibex 35 ²	243,653	148,924	134,412	55,843	-58.5
Contracts on stocks	30,313,892	25,434,719	25,333,109	24,077,788	-5.0
Futures on stocks	10,968,411	11,346,047	10,313,726	11,279,153	9.4
Futures on dividends	130,055	2,100	12,550	1,050	-91.6
Options on stocks	19,207,674	14,065,772	14,993,323	55,843	-14.6
Total	36,709,249	30,982,318	31,026,195	28,832,167	- 7,1

Source: Annual report on securities markets and their activities for 2023. CNMV.

b. Having attained, directly or indirectly, a percentage of voting rights lower than 30%, he/she appoints, within 2 years after the date of the above acquisition, a number of directors who, when added as the case may be to those already appointed, represent more than half of the members of the board of directors.

Where a takeover bid is not mandatory because the control thresholds for these purposes have not been reached, or

because control was acquired before the new legislation on tender offers entered into force, takeover bids may be made on a voluntary basis.

ii. The shares of a listed company are delisted from the stock market.

iii. The capital of a listed company is reduced through the purchase of its own shares.



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B. Multilateral Trading Systems (MTSs) and Systematic Internalizers

MTSs mean any system operated by an investment firm or by the governing body of an official secondary market which bring together, within the system and in accordance with its non-discretionary rules, the buyers and sellers of financial instruments to give rise to contracts, in accordance with the provisions of the Securities Market Law³⁰.

It's noteworthy that the Spanish clearing, settlement and registry system is currently undergoing a reform process, to bring Spain's current post-trade processes into line with European standards and practices.

The most important MTSs authorized in Spain are BME Growth and the Alternative Fixed-Income Market (MARF).

BME Growth is a market for small-cap companies looking to expand, with a special set of regulations designed specifically for them with costs and processes tailored to their particular characteristics.

The ability to offer customized services is the hallmark of this alternative market. The aim is to adapt the system, as far as possible, to companies that are unique in terms of their size and phase of development and that have financing needs and wish to enhance the value of their business and improve their competitiveness with all of the tools that a securities market places at their disposal. BME Growth offers an alternative way to finance their growth and expansion.

This flexibility involves adapting all of the existing procedures to enable these companies to be listed on a market without renouncing a suitable level of transparency. To achieve this,

a new concept has been introduced, that of the "registered advisor", whose mission is to help companies comply with their reporting requirements.

In addition, companies will also have a "liquidity provider", or intermediary, which helps to find the counterparties required for efficient share price setting, and also provides liquidity. It should be noted, however, that companies that are listed on the MAB will, given their size, have certain liquidity and risk characteristics that are different from those of companies listed on the stock exchange³¹.

Spanish or foreign corporations with fully paid-up capital stock represented by book entries and no share transfer restrictions may apply for listing on BME Growth.

At January 31, 2025, there are 131 entities listed on BME Growth.

The **Alternative Fixed-Income Market** (MARF) was approved in 2012, which is an initiative aimed at channeling financial resources to a large number of solvent companies that can obtain financing using this market on the issuance of fixed-income securities.

The MARF adopts the legal structure of the Multilateral Trading Facility (MTF), making it an alternative unofficial market, similar to those in some neighboring European countries and within BME, as with the case of BME Growth.

Therefore, the access requirements to this market are more flexible than those for the official regulated markets and provide greater speed in processing the issues. In this way, the companies that use MARF are able to benefit from the process simplification and lower costs.

As established in its Regulations, approved by the Spanish Securities Market Regulator (CNMV), MARF is operated by AIAF Mercado de Renta Fija, S.A.U.

MARF is aimed mainly at Spanish and foreign institutional investors that wish to diversify their portfolios with fixed-income securities from medium-sized companies that are usually not listed and with good business prospects.

One of the players are the registered advisors, whose function will be to provide advice to companies that use MARF in terms of the regulatory requirements and other aspects about the issuance when preparing it, and their advice must be provided throughout the issuance life.

Because of the importance of this market at present and in the future as a source of financing and business boost, the regulatory and supervisory authorities have been amending the necessary regulations so that this market works smoothly³².

C. Market abuse regime

On April 16, 2014, Regulation (EU) 596/2014, of April 16, 2014, on market abuse (Market Abuse Regulation) was approved to establish a common European legislative framework in relation to insider dealing, unlawful disclosure of inside information

³⁰ This reflects one of the main changes introduced by Directive 2004/39/EC, which is the enhancement of competition among different ways of executing transactions on financial instruments, so that competition contributes to the completion of the common market of investment services. This way, investment firms and financial institutions providing investment services will be able to compete with stock exchanges and other official secondary markets in the trading of financial instruments.

³¹ Source: www.bolsasymercados.es

³² Source: www.bmerf.es



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and market manipulation, and different measures to prevent market abuse and preserve the integrity of EU financial markets, improve investor protection and enhance investor confidence in those markets. The Market Abuse Regulation has had direct applicability in all Member States since July 3, 2016, and thus applies to any financial market of the Union.

One of the new aspects introduced by the Market Abuse Regulation is precisely the extension of its scope of application, as it also applies to financial instruments traded not only on regulated markets but also in any multilateral trading facilities, such as the MARF or the MAB in Spain, or in organized trading facilities.

Spanish legislation establishes a number of provisions applicable to issuers of securities in relation to:

- i. The obligation to draw up internal codes of conduct.
- ii. The prohibition on using inside information.
- iii. The obligation to publish and disclose relevant information.

The Regulation and the Securities Market Law contain a similar definition of “Inside information”, as being any specific information that has not been made public and refers directly or indirectly to one or more issuers or to one or more financial instruments or their derivatives and which, if it were to become public, could have a considerable influence on the prices of those instruments or of the derived instruments related to them. The legislation establishes a general prohibition to use, establishing that no person may:

- i. Perform or attempt to perform transactions using Inside Information.

- ii. Recommend to another person that he perform transactions with Inside Information or induce him to do so.
- iii. Unlawfully disclose Inside Information.

The Securities Market Law establishes that issuers of securities, during the study or negotiation phase of any type of legal or financial transaction which may have a considerable influence on the market price of the securities or financial instruments concerned, among others, must:

- i. Restrict knowledge of the information strictly to the essential persons inside or outside the organization.
- ii. Keep a documentary record for each transaction of the names of the persons referred to in the previous paragraph and the date on which each of them learned of the information.
- iii. Expressly inform the persons included in the record of the nature of the information, the duty of confidentiality and the prohibition on its use.
- iv. Establish security measures for the purposes of safekeeping, filing, accessing, reproducing and distributing the information.
- v. Supervise the market performance of the securities issued by them and the news reported by professional economic broadcasters and the mass media and which may affect them.
- vi. In the event there is an abnormal change in the trading volumes or prices and there is reasonable evidence that such change is due to a premature, partial or distorted

disclosure of the transaction, immediately publicize a relevant event which clearly and precisely informs of the status of the transaction in course or contains advance notice of the information to be provided.

“Relevant information” means any information of which knowledge may reasonably influence an investor to acquire or transfer securities or financial instruments and therefore may have a considerable effect on their price in a secondary market.

Issuers of securities must make public and disclose to the market all relevant information. In addition, they must send such information to the CNMV for inclusion on the official register of regulated information.

3.2 LENDING MARKET

The Spanish lending or banking market is structured around banks, savings banks and credit cooperatives, which channel most savings and use their funds to provide financing for the private sector. In this way, credit institutions take funds from savers and assume the obligation to return them, acting for their own account and at their own risk when it comes to granting loans and other types of financing to the end consumers of financial resources.

Credit institutions also operate as investors and subscribers in the stock market, and adjust their liquidity by means of interbank and money market transactions.

The deregulation of capital movements in the EU has also made it easier for Spanish companies to obtain financing abroad.



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The idea of granting enhanced protection to the integrity of financial systems led to the adoption of Law 10/2010³³, of April 28, 2010, on the prevention of money laundering and terrorist financing. The purpose of this Law is to regulate the obligations and procedures to prevent the financial system and other economic systems being used for money laundering. This Law includes certain new provisions relating to: (i) the persons subject to the Law (increasing the number of persons covered, establishing common rules for all types of individuals), (ii) reporting obligations (notification in case of signs of illicit activity, record-keeping obligation increased from 6 to 10 years), (iii) internal control of the fulfillment of obligations (external expert examination for all non-individual subjects, greater employee training obligations), and (iv) introduction of the concept of beneficial owner and the need to identify such owner.

3.3 MONEY MARKET

The money market in Spain is based fundamentally on the issuance of short-term securities by the Bank of Spain which are taken up by banks, finance institutions and money market operators which subsequently place a portion of them with individual investors and businesses.

In a broader sense, the money market is also deemed to encompass interbank deposits (whose interest rates are used as a reference rate for other transactions) and trading commercial paper.

The money market has become increasingly important as a result of the deregulation and move towards greater flexibility of the Spanish financial system overall in recent years, given that interest rates are ordinarily higher than the rate of inflation and given the substantial volume of trading in money market securities.

³³ Implemented by Royal Decree 304/2014, of May 5, approving the regulations to Law 10/2010 on prevention of money laundering and terrorist financing.

4. Safeguards to protect financial services customers



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4.1 DEPOSIT GUARANTEE FUND AND INVESTMENT GUARANTEE FUND

4.1.1 DEPOSIT GUARANTEE FUND

The Deposit Guarantee Funds fall within the mechanisms of control and special support that seek to prevent the occurrence of insolvency situations at credit institutions. They are entities with public legal personality which credit institutions must necessarily join, as must the branches of credit institutions authorized in a non-EU Member State where their deposits in Spain are not covered by a similar guarantee system in their home country. The assets of the funds basically consist of the annual contributions made by the credit institutions that are members of the fund.

As a result of the events that have affected the international financial economy since August 2007, Europe is in financial turmoil. With the aim to coordinate the acts of the various Member States and secure the stability of the financial system, the Economic and Financial Affairs Council of the European Union welcomed the European Commission's proposal to carry out urgently an appropriate initiative to promote convergence of deposit guarantee schemes and agreed to raise the minimum coverage level to €50,000. This decision was implemented in Spain in Royal Decree 1642/2008, of October 10, 2008 (now repealed by Royal Decree 628/2010, of May 14, 2010), in which it was decided to strengthen the Spanish deposit and investment guarantee system by raising the protection for existing deposits to €100,000 per holder and institution, for situations that could arise in the future. The intention behind this measure is to maintain and increase the confidence of deposit holders and investors at Spanish credit institutions.

The aim of the Deposit Guarantee Fund legislation³⁴ is to reinforce the solvency and functioning of credit institutions, thereby

supporting the essential principle established by the international financial authorities and by the Spanish Government as the basis of public intervention in light of the financial crisis, i.e. that the financial sector itself assume the costs incurred in the restructuring and recapitalization of the sector, so that the reform package will imply no cost for the public purse and, in short, for the taxpayer.

4.1.2 INVESTMENT GUARANTEE FUND (FOGAIN)

The FOGAIN was set up as a requirement of Directive 97/9/EC of the European Parliament and of the Council of March 3, 1997, on investor-compensation schemes, and is regulated in article 198 of the Securities Market Law.

The purpose of the FOGAIN is to offer the clients of broker-dealers, brokers and portfolio management companies a compensation scheme in the event that any of these institutions enters into insolvency proceedings or is declared insolvent by the CNMV.

If one of these situations arises, and as a result of it, the institution is unable to repay or return to its clients the cash and securities they have entrusted to it, the FOGAIN will provide coverage and compensate those clients up to a maximum of €100,000 for clients of institutions that enter into one of these situations after October 11, 2008.

³⁴ The applicable rules are contained in Royal Decree Law 16/2011 of October 14, 2011 on the creation of the Deposit Guarantee Fund for Credit Institutions and Royal Decree 2606/1996 of December 20, 1996 on the Legal Regime governing Deposit Guarantee Funds. The latter was recently amended by Law 11/2015 of June 18, 2015 on the recovery and resolution of credit institutions and investment firms and by Royal Decree 1012/2015 of November 6, 2015 which lays down the enabling regulations for Law 11/2015 of June 18, 2015 on the recovery and resolution of credit institutions and investment firms and amends Royal Decree 2606/1996 of December 20, 1996 on deposit guarantee funds for credit institutions, through which Directive 2014/49/EU of April 16, 2014 for the harmonization of the functioning of deposit guarantee schemes throughout the European Union is transposed into Spanish legislation.

The FOGAIN also covers clients of SGICs that have entrusted one of these institutions with securities and cash to manage portfolios, provided that the institution in question has entered into one of the above-mentioned insolvency situations.

4.2 OTHER SAFEGUARDS TO PROTECT FINANCIAL SERVICES CUSTOMERS

Some of the most important safeguards to protect financial services customers can be summarized as follows:

- The replacement of the Commissioner for the defense of banking services customers with the respective Claims Services of the three supervisory institutions (Bank of Spain, National Securities Market Commission and Directorate-General of Insurance and Pension Funds) pursuant to Sustainable Economy Law 2/2011.

The Claims Service resolves any complaints and claims filed by users of the supervised institutions that are related to their legally recognized interests and rights and arise from alleged breaches by those institutions, from the legislation on transparency and customer protection or from best financial practice.

It also addresses any customer queries about the applicable rules on transparency and customer protection, and about the existing legal channels for exercising their rights.

The Claims Service operates under the one-stop shop principle (Claims Services of the Bank of Spain, of the CNMV and of the Directorate-General of Insurance and Pension Funds), with any claims being referred to the corresponding supervisory body. It is an independent service that operates in compliance with the

principles of transparency, the right of reply, efficacy, legality, freedom and representation.

Before filing a claim with the Claims Service, the interested party must have had the opportunity to solve it beforehand and therefore must evidence that he/she already filed the claim with the Customer Service Department or Ombudsman of the institution in question.

- With regard to the above point, an obligation is placed on credit institutions, investment firms and insurers to deal with and resolve their customers' complaints and claims relating to their interests and rights. For these purposes, they must have a customer care department consisting of an independent body or expert, whose decisions will be binding.

The purpose of the customer care department or service is to handle and resolve complaints and claims filed by customers. This department or service must be separate from the organization's other operating services and must act in accordance with the principles of speed, security, effectiveness and coordination. It must also have the human, material, technical and organizational resources that ensure adequate knowledge of the legislation on transparency and the protection of financial services customers.

The customer ombudsman is an optional body which may be external to the organization of financial institutions. Its purpose is to handle and resolve the claims which are submitted to it for a decision and to promote compliance with the legislation on transparency and customer protection, and with best financial practice. The customer ombudsman must act as an independent body and with full autonomy with respect to the criteria and guidelines to be applied in the performance of its duties.

Both bodies were implemented by Ministerial Order ECO/734/2004 of March 11, 2004, which regulates the creation of customer care departments and services and the customer ombudsman for financial institutions.

- Financial institutions must prepare and approve a set of Customer Protection Rules to regulate the work done by the customer care department or service and by the customer ombudsman, where appropriate, and the relationship between the two. Lastly, the customer care department or service and the customer ombudsman, where appropriate, must issue an annual report or summary which must be included in the financial institutions' Annual Report.

Law 22/2007 of July 11, 2007, on the distance marketing of consumer financial services was published in the Official State Gazette on July 12, 2007, thereby completing the implementation in Spanish legislation of Directive 2002/65/EC of the European Parliament and of the Council of September 23, 2002, concerning the distance marketing of consumer financial services.

The aim of Law 22/2007 is to establish a specific regime for the protection of users of financial services which is applicable to contracts offered, traded and concluded at a distance. This Law applies both to contracts and the offers related to them, provided that they generate obligations on the part of the consumer, and their subject matter must be the provision to consumers of all kinds of financial services, within the framework of a system of sale or provision of services at a distance organized by the supplier, when such system employs exclusively distance communication techniques, even in the actual conclusion of the contract.

The most noteworthy aspects of Law 22/2007 are the following:

- a. It establishes the obligation for the financial service provider to notify the terms and conditions of the contracts and provide prior information to the consumer. Any breach by the provider of the disclosure obligations imposed by Law 22/2007 may result in the contract being rendered null and void.
- b. It recognizes a right of withdrawal: this is the consumer's right to withdraw from a validly concluded contract without being required to state the reasons and without incurring any penalty. This is a kind of "right to repent". The period for exercising this right is generally 14 calendar days, although in the case of contracts relating to life insurance it is 30 calendar days.
- c. It provides further guarantees in addition to the two basic consumer protection mechanisms described above (transparency and withdrawal). These guarantees serve two purposes:
 - i. They protect the consumer from fraudulent or incorrect charges when the financial services have been paid for by card: the cardholder may demand the immediate cancellation of the charge.
 - ii. They protect the consumer from harassment by suppliers in relation to unsolicited services and communications.
- Ministerial Order EHA/2899/2011 on transparency and protection for banking services customers was approved on October 28, 2011. The aim of this Ministerial Order is to concentrate the basic transparency regulations in one single text, bringing together the existing disperse regulations into one single document in such a manner so as to make them clearer and more accessible to the general public.

It also aims to update the existing provisions relating to the protection of bank customers who are individuals, to rationalize, improve and enhance, where necessary, credit institutions' transparency and conduct obligations. Thus, the requirements in aspects such as information on interest rates and charges, customer communications, contractual information, related financial services, etc., have been enhanced. The Ministerial Order also includes express mention of advisory services, with a view to ensuring that this banking service is provided with the customers' best interests at all times, and that it includes an appropriate assessment of their position and of the services available on the market. It therefore draws a distinction between this service and direct marketing by institutions of their own products, an activity that is subject to the general transparency regime and requires the appropriate explanations. In addition, it definitively establishes that electronic means will be deemed equivalent, for all effects and purposes, to traditional paper documents, in the relationship between credit institutions and their customers. This Order is implemented by Bank of Spain Circular 5/2012.

Lastly, the Ministerial Order implements the general principles of the Sustainable Economy Law concerning responsible lending, introducing the obligations needed to ensure that the Spanish financial industry raises its prudential standards in respect of lending, to the benefit of its customers and of market stability. For these purposes, a system has been designed based on an assessment of creditworthiness which aims to assess the risk of nonpayment of a possible loan. This system should not, in any case, represent an obstacle to access to credit by the general public, but rather a legal incentive for healthier and more prudent conduct on the part both of institutions and their customers.

- In addition, the rules of conduct that investment firms must observe are contained both in Securities Market Law and in Royal Decree 813/2023 of 8 November on the legal regime of

investment services firms and other entities providing investment services. In this connection, note should also be made of CNMV Circular 7/2011, of December 12, 2011, on fee schedules and standard contracts. With a view to encouraging transparency, the aim is for investors to have sufficient information to enable them to assess whether or not the fees charged are proportional to the quality of the service provided. It is an incentive for institutions to effectively set their fee ceilings in keeping with those generally applied to retail customers.

It also establishes that fee schedules and standard contracts must be available to customers and potential customers in all customer branches, including external agencies, and that they must also be easily accessible on their websites.

Note should also be taken of the publication of two ministerial orders: Order EHA/1717/2010 and Order EHA/1718/2010³⁵, of June 11, on regulation and control of advertising of investment and banking products and services, respectively.

Finally, mention should be made of Order ECC/2316/2015 of November 4, 2015, establishing obligations in relation to the classification and provision of information on financial products, which aims to ensure that clients or potential clients of financial products receive adequate protection through the implementation of a standard information and classification system which informs them of the level of risk involved and enables them to choose the product best suited to their savings and investment needs and preferences.

³⁵ Implemented by the Bank of Spain Circular 6/2012, of September 28, aimed at credit and payment institutions, on advertising of banking products and services.





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APPENDIX I. Balance sheets as at the 202X year-end

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AIII

Accounting and audit issues

This chapter contains details of the main accounting, commercial bookkeeping and audit obligations to be observed by Spanish enterprises.

According to Spanish legislation, all enterprises are required to keep orderly accounts, in keeping with their business, including a book of inventories and balance sheets book and a journal.

Companies must also keep one or more minutes books in which all the resolutions adopted by the annual and special

shareholders' meeting and other collective bodies of the company must be recorded.

The Spanish National Chart of Accounts approved by Royal Decree 1514/2007, of November 16, 2007, establishes, in accordance with the European Union's accounting convergence process, the accounting principles that aim to ensure that financial statements, prepared clearly, present fairly a company's equity, financial position and results of operations, incorporating the accounting criteria contained in the International Accounting Standards.

1. Legal framework

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APPENDIX I. Balance sheets as at the 202X year-end

APPENDIX II. Income statements for the year ended __202X

The basic legislation setting out the legal framework in the sphere of accounting law is embodied in Spanish corporate legislation. It has been amended in recent years in response to the mandatory harmonization of that legislation with EU Directives, specifically, with Directive 2013/34/EU of the European parliament and of the council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC on statutory audits of annual accounts and consolidated accounts.

In this sense, the Community legislation was approved as a result of the need for international accounting harmonization, in order to, inter alia, (i) ensure the transparency and comparability of financial statements, (ii) achieve efficient operation of EU capital markets, (iii) close the legal vacuums in the somewhat scant regulations for the accounting Directives and their similarly low level of implementation, and (iv) clarify the diversity of legislation.

In turn, the approval of Regulation (EC) no. 1606/2002 of the European Parliament and of the European Council, of July 19, 2002, in relation to the application of International Accounting Standards (IASs) in the European Union, and the report on the current situation of accounting in Spain and the basic lines to undertake its reform, also known as the White Paper on Accounting Reform in Spain, published by the Spanish Accounting and Audit Institute (ICAC) on June 25, 2002, marked the starting point for the direction that was to be taken in the accounting reform process as a whole in Spain.

That Regulation made it obligatory for companies to apply the IASs approved by the IASB (International Accounting Standards Board) for each financial year, starting on or after January 1, 2005, regarding their consolidated financial statements if, at their balance

sheet date, their securities are admitted to trading on a regulated market of any Member State.

The Member States were also given the option to allow or require those standards to be applied to the separate financial statements of listed or unlisted companies, and to the consolidated financial statements of unlisted companies.

In this regard, the general approach to be adopted in Spain should not be to directly apply IASs or IFRSs (International Financial Reporting Standards) in their most recent version, but rather to adapt Spanish GAAP thereto, solely introducing the accounting treatments that the aforementioned standards establish on an obligatory basis, and, when IFRSs recognizes different accounting treatment options, taking the one that the legislature considered to be the most prudent and in keeping with the tradition in Spanish accounting practice.

Additionally, a hierarchy of sources was established to distinguish between (i) fundamental legislation, i.e. the Commercial Code and the Revised Spanish Corporations Law¹, which must contain basic, stable and lasting principles, (ii) implementing regulations, i.e. the Spanish National Chart of Accounts, its industry adaptations (as described below) and (iii) the resolutions of the ICAC, which would contain more detailed rules, the contents of which could be modified with greater ease.

This point marked the start of a reforming process in Spain with the approval of Law 62/2003, of December 30, 2003, on Tax, Administrative, Labor and Social Security Measures, which was the first step taken in the adaptation of Spanish corporate accounting

¹ The legislation on Spanish corporations is now contained in the Revised Corporate Enterprises Law, approved by Legislative Royal Decree 1/2010, of July 2, 2010.



legislation for its international harmonization based on European legislation.

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This process reached its maximum expression in 2007, when important legal provisions were passed, wrapping up the main areas in the process of adapting Spanish accounting legislation to international accounting legislation:

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- Law 16/2007, of July 4, 2007, reforming and adapting Spanish corporate accounting legislation for its international harmonization based on European legislation, which made significant amendments to the Commercial Code, and to the then in force Revised Spanish Corporations Law, Limited Liability Companies Law and other industry-based accounting standards and, lastly, adapted for the first time the Corporate Income Tax Law to the new accounting legislation.

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- Royal Decree 1514/2007, of November 16, 2007, approving the Spanish National Chart of Accounts (the Spanish National Chart of Accounts).

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- Royal Decree 1515/2007, of November 16, 2007, approving the Spanish National Chart of Accounts for small and medium enterprises (SMEs) and the specific accounting rules for very small enterprises (VSEs).

Similarly, 2010 saw the approval of Royal Decree 1159/2010, of September 17, approving the Standards for the Preparation of Consolidated Financial Statements (NOFCAC).

In addition, there has been a process of adoption of additional industry-based accounting legislation. As a result, the following industry adaptations to the Spanish National Chart of Accounts have been approved:

- Royal Decree 1317/2008, of July 4, approving the Spanish National Chart of Accounts for insurance companies.

- Order EHA/3360/2010, of December 21, approving accounting standards for cooperative companies.

- Order EHA/3362/2010, of December 23, approving the rules adapting the Spanish National Chart of Accounts to concession holders for public infrastructure.

- Order EHA/733/2010, of March 25, approving accounting standards for public companies operating in certain circumstances.

- Royal Decree 1491/2011, of October 24, approving the provisions adapting the Spanish National Chart of Accounts to not-for-profit entities and the model action plan for not-for-profit entities.

- Resolution of December 21, 2018, of the Presidency of the Court of Auditors, by means of which, the Plenum Agreement dated December 20, 2018, approving the Accounting Plan adapted to the Political Formations and the Organic Law 3/2015, is published².

Subsequently, in 2016, important changes were made to Spanish accounting legislation by means of Royal Decree 602/2016 of December 17, 2016. The purpose of these changes was to lay down the implementing regulations a result of the changes made to Spanish accounting law by Law 22/2015 of July 20, 2015 (as a result of the process for the transposition of Directive 2013/34/EU of June 26, 2013).

Royal Decree 583/2017 of June 12, 2017, amending the Spanish National Chart of Accounts for insurance companies, was published

also for the purpose of bringing Spanish legislation into line with EU law.

In relation to the other industries for which there already was an adoption prior to the approval of the Spanish National Chart of Accounts, the previous industry adaptations remain in force, insofar as they do not conflict with the new legislation, in conformity with Transitional Provision number five of Royal Decree 1514/2007, of November 16, approving the Spanish National Chart of Accounts.

Finally, the last major reform was introduced by Royal Decree 1/2021 of January 12, 2021, amending the Spanish National Chart of Accounts, the Spanish National Chart of Accounts for Small and Medium Enterprises, the NOFCACs, and the rules on adaptation of the Spanish National Chart of Accounts for not-for-profit entities. In this case, the changes made to Spanish accounting legislation are aimed to align it with the most recent international accounting criteria regarding financial instruments and the recognition of financial revenues, as set out in IFRS-EU 9 and IFRS-EU 15. This Royal Decree came into force with effect for years commencing as from January 1, 2021.

From the audit perspective, Accounting Audit Law 22/2015 of July 20, 2015, marked the culmination of a process for the adaptation of Spanish legislation to Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (following its amendment by Directive 2014/56/EU) and Community Regulation 537/2014 on specific requirements applicable to so-called public-interest entities. In this regard, Royal Decree 2/2021 of January 12, 2021, approved the implementing Regulations for the Spanish Audit Law (Law 22/2015 of July 2, 2015).

² Amended by the Resolution of March 8, 2019, of the Presidency of the Court of Auditors, by means of which, the Plenum Agreement dated March 7, 2019, amending the Accounting Plan adapted to the Political Formations approved on December 20, 2018, is published.



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The existing new legislation is supplemented and construed with the ICAC's resolutions and responses to requests. Particularly in relation to the interpretation of accounting legislation, it must be borne what the ICAC stated in Ruling 1 of its Official Gazette 74/June, 2008, that where the legislation does not provide for a given matter, the directors must use their professional judgment while respecting the framework of the Spanish National Chart of Accounts and "generally accepted accounting principles in Spain". Also, the ICAC states that, although IFRSs may serve as an interpretative criterion, their mandatory application on a supplementary basis to separate financial statements is not envisaged. However, IFRSs will apply directly to the consolidated financial statements of listed entities.

2. Accounting records



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- 1 Legal framework
- 2 Accounting records
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APPENDIX I. Balance sheets as at the 202X year-end

APPENDIX II. Income statements for the year ended __202X

The rules governing the accounting records that have to be kept by companies are contained in the Commercial Code, which requires all traders to keep orderly books of account that are suitable for their business and to keep a book of inventories and balance sheets and another journal, regardless the records required under laws or special provisions.

Companies are also required to keep a book or books of minutes containing, at least, all the resolutions adopted by the shareholders at the Annual General or Special General Meetings and by the companies' other collective bodies.

As for the formal requirements applicable to the accounting records, the Commercial Code stipulates that companies must present their mandatory books of account to the Mercantile Registry of the place in which they have their registered office, so that they are officially certified and stamped before they start to be used. Additionally, the declaration identifying the beneficial owner of the company must be included.

Moreover, entries and notes may be made by any suitable procedure on separate sheets, which, subsequently, must be bound to form part sequentially of the mandatory books of account, which must be legalized within 4 months from the end of the related reporting period.

These formal requirements also apply to the share registers of corporations, partnerships limited by shares and limited liability companies, which may be kept on electronic files.

3. Financial statements

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APPENDIX I. Balance sheets as at the 202X year-end

APPENDIX II. Income statements for the year ended __202X

Both the Commercial Code and the Revised Spanish Corporate Enterprises Law state that financial statements comprises a balance sheet, an income statement, a statement reflecting the changes in equity during the period, a cash flow statement and notes to the financial statements. These documents constitute a set of information for these purposes (a directors' report is also required, although it is not considered to be a constituent part of the financial statements). However, the cash flow statement and the statement of changes in equity would not be mandatory when established by a legal provision (i.e. for companies that are permitted to prepare a balance sheet in the abridged format, as explained below).

Royal Decree-Law 18/2017 of November 24, 2017 which transposed Directive 2014/95/EU into domestic law introduced the obligation, incumbent upon public-interest entities of a certain size, to include in their directors' report, or in a separate report, a Non-financial Information Statement containing, as a minimum, an account of the company's position in relation to environmental and social issues, personnel, respect for human rights and measures to combat bribery and corruption.

In this respect, Law 11/2018 of December 28, 2018, amending the Commercial Code, the revised Capital Companies Law and the Spanish Audit Law increased significantly the number of companies under the obligation to disclose the non-financial information statement. Companies meeting the following requirements must file this statement, whether individually or on a consolidated basis:

- a. The average number of workers employed by the company or the group, as applicable, during the year is above 250.
- b. They are either deemed to be public-interest entities in accordance with the audit legislation, or they meet, for 2 consecutive years, at each of the year-end dates - on an individual or consolidated

basis, as appropriate - at least two of the following tests: (i) total asset items amounting to more than €20 million, (ii) annual net revenues exceeding €40 million.

The Spanish Commercial Code and Revised Spanish Corporate Enterprises Law provide for accounting principles and measurement bases. Also, the Revised Spanish Corporate Enterprises Law specifies the disclosures to be included in the notes to the financial statements.

The Spanish National Chart of Accounts sets out the contents to be included in the separate financial statements. Its application by all companies is mandatory, regardless their legal form is that of a sole proprietorship or a company, and without prejudice to such companies being in a position to apply the Spanish National Chart of Accounts for small and medium enterprises (SMEs) or the relevant industry adaptations. It also constitutes the implementation for accounting purposes of Spanish corporate and commercial legislation.

The content of the Spanish National Chart of Accounts is as follows:

- Part 1: conceptual accounting framework.
- Part 2: recognition and measurement bases.
- Part 3: financial statements.
- Part 4: chart of accounts.
- Part 5: accounting definitions and relationships.

The Standards for the Preparation of Consolidated Financial Statements were approved in Royal Decree 1159/2010, which was amended by Royal Decree 1/2021 of January 12, 2021.

4. Conceptual accounting framework and recognition and measurement bases



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APPENDIX I. Balance sheets as at the 202X year-end

APPENDIX II. Income statements for the year ended __202X

In relation to the practical application of the Spanish National Chart of Accounts, after a first part which sets out the conceptual accounting framework, part two establishes recognition and measurement bases for the various asset, liability and income statement items.

A brief summary of the main features contained in the conceptual framework and in the most significant recognition and measurement bases introduced by the Spanish National Chart of Accounts currently in force is included as follows:

AREA	SPANISH NATIONAL CHART OF ACCOUNTS (SNCA)
Components of financial statements	The financial statements comprise a balance sheet, an income statement, a statement of changes in equity a cash flow statement and notes.
Main objective: true and fair view	The annual financial statements must be clearly drafted, ensuring that the information they contain can be understood and is of use to readers for economic decision-making purposes, and they must give a true and fair view of the business's equity, financial position and results of operations. The systematic and consistent application of the requirements and accounting principles and standards set out in the following sections should result in the annual financial statements giving a true and fair view of the business's equity, financial position and results of operations. In this respect, the way in which operations are recorded should take into account not only their legal form, but also the economic reality behind them.
Requirements concerning information to be included in the financial statements	The information included in the financial statements must be relevant and reliable. A quality deriving from reliability is completeness. Also, the financial information must be comparable and clear.
Accounting principles	The obligatory accounting principles are: going concern, accrual, consistency, prudence, no offset and materiality.
Items included in the financial statements	The following items are defined: assets, liabilities, equity, income and expenses, which are to be recognized when probability criteria regarding the inflow or outflow of resources embodying economic benefits or returns are met and their value can be determined with an adequate degree of reliability.
Accounting recognition criteria applicable to items in the financial statements	Assets should be recognized in the balance sheet when it is probable that they will generate economic benefits or revenues for the company in the future, and provided that they can be measured reliably. Liabilities should be recognized in the balance sheet when it is probable that, upon maturity and in order to settle the obligation, it will be necessary to deliver or surrender resources embodying future economic benefits or revenues, provided that they can be measured reliably. Income is recognized as the result of an increase in the company's resources, provided that its amount can be measured reliably. Expenses are recognized as the result of a decrease in the company's resources, provided that their amount can be measured or estimated reliably.
Measurement bases	The measurement standards adopted by the Spanish National Chart of Accounts are as follows: historical cost or cost, fair value (this base having been developed extensively following the reform implemented by Royal Decree 1/2021), net realizable value, value in use and present value, costs to sell, amortized cost, transaction costs attributable to a financial asset or liability, carrying amount or book value and residual value.



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RECOGNITION AND MEASUREMENT BASES

Property, plant and equipment, intangible assets, and investment property

Property, plant and equipment	Tangible assets held for use on a lasting basis in the company's activities, in the production or supply of goods or services, or for administrative purposes.
Investment property	Non-current assets consisting of real estate property held to earn rentals or for capital appreciation, or both. As a general rule, all these assets are initially stated at cost, whether it is the acquisition price or production cost. Subsequent to their initial recognition, they are stated at their acquisition price or production cost, excluding the corresponding accumulated depreciation and, where appropriate, any accumulated impairment losses.
Intangible assets	Tangible assets held for use on a lasting basis in the company's activities, in the production or supply of goods or services, or for administrative purposes. Non-current assets consisting of real estate property held to earn rentals or for capital appreciation or both. As a general rule, all these assets are initially stated at cost, whether this is the acquisition price or production cost. Subsequent to their initial recognition, they are stated at their acquisition price or production cost less the corresponding accumulated depreciation and, where appropriate, any accumulated impairment losses. Identifiable non-monetary assets without physical substance whose economic value can be measured. For their initial recognition, the identifiability standard must be also met. This means that either of the following two requirements must be fulfilled: (a) the asset must be separable, or (b) it must derive from legal or contractual rights. In no circumstances can establishment costs, brands, customer lists or similar items generated internally be recognized as intangible assets. Intangible assets are assets with a defined useful life, therefore and they must be amortized systematically over the period for which the economic benefits inherent in them can reasonably be expected to generate revenues for the company. When the useful life of these assets cannot be reliably estimated, they must be amortized over ten years, without prejudice to the periods stipulated in specific rules applicable to intangible assets. At least once a year, the possible existence of impairment indicators must be analyzed, to determine whether impairment losses have been incurred.
Costs of dismantling, removing or restoring assets	The initial estimate of the present value of the obligations to dismantle, remove or restore an asset shall be included in its cost.
Capitalization of borrowing costs	Certain borrowing costs must be capitalized for those non-current assets that will take more than one year to be ready for their intended use. As a general rule, interest can only be capitalized before the asset has been brought into use.
Asset swaps	Swaps with a commercial substance: the asset received is recognized at the fair value of the asset given up plus the monetary amounts delivered as consideration, unless there is clearer evidence of the fair value of the asset received and up to the limit of the latter value. In swaps without commercial substance or in those in which fair value cannot be reliably measured, the asset received is measured at the carrying amount of the one given up plus the monetary amounts delivered as consideration, up to the limit, if available, of the fair value of the asset received if this value is lower.
Non-monetary capital contributions	The assets received are measured at their fair value at the date of contribution, unless it may be treated as a swap without commercial substance. There are specific rules if the contribution consists directly or indirectly on a business. For the contributor, the rules relating to financial instruments shall apply.
Impairment losses	Impairment losses arise when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized and reversed through profit or loss.
Major repairs to property, plant and equipment	The effect of costs of major repairs is taken into account when determining the carrying amount of property, plant and equipment. These costs are amortized over the period remaining until the repair is made. Then, its cost is recognized as a replacement if the related recognition criteria are met.

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RECOGNITION AND MEASUREMENT BASES

Property, plant and equipment, intangible assets, and investment property

Research and development expenditure	Research expenditure: period expense, although it may be capitalized in certain circumstances. Development expenditure: capitalized when the conditions established for the capitalization of research expenditure are met.
Start-up costs	There will be expenses attributed to the year in which they are incurred.
Goodwill	Goodwill can only be recognized as an asset when its value is realized in an acquisition for consideration, in the context of a business combination. Its amount must be determined in accordance with the rules of business combinations (the purchase method) and it must be allocated as from the acquisition date to each of the cash-generating units of the acquirer that are expected to benefit from the synergies of the business combination. Subsequent to initial recognition, goodwill must be stated at its acquisition cost, excluding accumulated amortization and, where appropriate, any accumulated impairment losses recognized. Goodwill is amortized over its useful life. Useful life is determined separately for each cash-generating unit to which it has been allocated. Goodwill is presumed - unless evidence to the contrary - to have a useful life of ten years and to be recoverable on a straight-line basis. Impairment losses recognized on goodwill are not reversed in subsequent years.

Leases

Measurement of leases	The Spanish National Chart of Accounts has not yet been adapted to IFRS-EU 16 on Leases. The Spanish Accounting and Audit Institute (ICAC) is analyzing its general implementation, with a variety of different circumstances and possible exceptions being envisaged.
Finance leases	The economic conditions of a lease agreement, which are presumed to be met in a variety of circumstances, imply that all the risks and rewards incidental to ownership of the asset forming the object of the lease are substantially transferred. The lessee registers an asset and a financial liability at the fair value of the leased asset or, if lower, the present value at the inception of the lease of the minimum lease payments agreed to. Such payment must include (i) the payment for the purchase option where there exists no reasonable doubt that it will be exercised and (ii) any amount which has been guaranteed, directly or indirectly, contingent rents, the cost of services and taxes chargeable by the lessor are excluded. The total finance charge is distributed over the term of the lease and taken to income on an accrual basis, using the effective interest method. Contingent rents are expensed as incurred. The lessee must apply these assets any depreciation, impairment and derecognition criteria corresponding to them, based on their nature.
Operating leases	Income and expenses deriving from operating lease agreements, corresponding to the lessor and the lessee, must be treated, respectively, as income and expenses for the year of their accrual and taken to income accordingly.



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INVENTORIES AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Inventories

Measurement rules	As a general rule, they are stated at cost, whether this is the acquisition cost or production cost. It must include expenses incurred up to the point at which they reach the location from which they will be sold. Exception: for commodity broker-traders, the standard applied is fair value less costs to sell, provided that this eliminates or reduces the "accounting asymmetry" which would arise where these assets not stated at fair value. It refers expressly to inventories in the rendering of services.
Trade and financial discounts	Any directly attributable discount, price reduction or similar is deducted from the amount invoiced by the seller of the inventories. Discounts, returns and similar operations taking place after the invoice date are recorded under specific headings in the income statement.
Borrowing costs	Borrowing costs are included in the acquisition or production cost of inventories that necessarily take more than one year to get ready for their sale.

NON-CURRENT ASSETS (DISPOSAL GROUPS) CLASSIFIED AS HELD FOR SALE

Non-current assets classified as held for sale	A non-current asset is classified as held for sale if its carrying amount will be recovered largely through a sale transaction rather than through continuing use. There are certain requirements to be met. These are stated at the lower between book value or fair value less costs to sell. For as long as they are classified in this category, there is no amortization, the corresponding valuation adjustments are required to be recorded where appropriate.

Income tax

Consideration of temporary differences	These are differences arising from the different values for accounting and tax purposes attributed to assets, liabilities and certain equity instruments, to the extent that they have a bearing on the tax charge. Temporary differences include, but are not limited to, timing differences. The accounting treatment given to the tax effect is based on the balance sheet method.

Long term employee benefits

Classification of pension plans for the purposes of their accounting treatment	Draws a distinction between long-term defined contribution plans and long-term defined benefit plans.

Provisions

Measurement	Present value of the best possible estimation of the expenditures required to settle or transfer the obligation, recognizing the adjustments arising from their discounting as finance cost incurred. In the case of provisions maturing at 1 year or less, no discounting is required, provided that the effect of the time value of money is not material.

Financial instruments

Financial assets measured at fair value through profit and loss	This heading is used when classification under none of the others would be appropriate. Financial assets held for trading are to be included in this category obligatorily. For equity instruments which are not held for trading, and are not to be stated at cost, the company can choose irrevocably, at the time of initial recognition, to reflect subsequent changes in equity's fair value. Initial valuation: fair value, without including directly attributable transaction costs, which are recognized in the income statement for the year. Subsequent measurement: fair value without deducting any costs incurred in disposal. Changes in fair value are recognized in profit or loss. Impairment is not applicable.

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INVENTORIES AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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Assets stated at amortized cost

A financial asset is included in this category, even when it is listed for trading on an organized market, if the entity maintains the investment with a view to receiving the cash flows deriving from performance of the contract. In addition, the contractual terms of the financial asset shall give rise, on specified dates, to cash flows consisting solely of collections of principal and interest on the principal outstanding.

Initial measurement: fair value plus directly attributable transaction costs.

Subsequent measurement: Interest accrued is recorded in profit and loss in accordance with the effective interest method.

Imputation of adjustments/impairment: the necessary valuation adjustments are made at the year end, wherever there is objective evidence of impairment in value as the result of one or more events occurring subsequent to initial recognition and which generate a reduction or delay in estimated future cash flows. It may result from debtor insolvency (an "incurred loss" criterion, as opposed to IFRS-EU 9, which applies an "expected loss" criterion).

The impairment loss is the difference between the book value and present value of future cash flows, including those deriving from the execution of in rem and in personal guarantees.

The impairment loss, and its reversal, are recognized as an expense or income, respectively, in the income statement.

Financial assets at fair value with changes reported in equity

A financial asset is to be included in this category when its contractual terms give rise, on specified dates, to cash flows consisting solely of collections of principal and interest on the amount of principal outstanding. Moreover, and it must not be held for trading, nor appropriate for it to be carried at amortized cost.

Also to be included in this category are investments in equity instruments for which the irrevocable option has been exercised.

Initial measurement: fair value plus directly attributable transaction costs.

Subsequent measurement: fair value without deducting any transaction costs incurred in disposal. Changes occurring in fair value are recorded under equity, on a temporary basis, until the time of their impairment or derecognition, at which point they are taken to income.

Imputation of adjustments/impairment:

- Debt instruments: an impairment loss is recorded in the income statement when there is a delay in estimated future cash flows, which may be due to debtor insolvency. In the event of a recovery in value, the amount reversed is taken to income.
- Equity instruments: an impairment loss is recorded in the income statement when there is a decrease in the recoverability of the book value of the asset, evidenced, for example, by a prolonged or significant decline in its fair value. In the event of a recovery in value, the amount of the increase is recorded directly against equity (it is not reversed by crediting it to the income statement).

Financial assets at cost

The assets to be included in this category include, among others, investments in the equity of group companies, jointly controlled entities and associates, and other investments in equity instruments whose fair value cannot be determined by reference to a price quoted on an active market or cannot be estimated reliably.

Initial measurement: at cost, i.e. at the fair value of the consideration plus directly attributable transaction costs.

In the case of a group company, the initial measurement will be the cost value of the business combination, unless there existed an investment prior to its classification as a group company (in that case, the cost will be its book value prior to classification as such).

Subsequent measurement: cost minus accumulated impairment losses.

Imputation of adjustments/impairment: valuation adjustments are made of the difference between the carrying amount and the recoverable amount, which is understood to be the higher between fair value excluding costs to sell, and the present value of future cash flows.

In the case of equity instruments, unless there is more reliable evidence of the recoverable amount, the estimation of the impairment loss is to be calculated based on the equity of the investee and underlying capital gains existing as at the measurement date, net of the tax effect.

Financial liabilities at amortized cost

This includes all financial liabilities, except when they are required to be stated at fair value with changes reported through profit and loss.

Initial measurement: fair value, which will be the price of the transaction (fair value of the consideration received directly attributable transaction costs).

Subsequent measurement: at amortized cost. For payables maturing in no more than one year which were stated at their nominal value upon initial recognition, will continue to be stated for that amount.

Imputation of income: interest accrued is recognized in the income statement using the effective interest method.

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INVENTORIES AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Financial liabilities measured at fair value through profit and loss	This category includes, among others, liabilities held for trading and any designated as such by the company at the time of initial recognition on certain grounds. Initial measurement: fair value (i.e. price of the transaction: fair value of the consideration received). Directly attributable transaction costs are recognized in profit and loss for the year. Subsequent measurement: fair value. Changes in fair value are recognized in profit or loss.
Transactions involving equity instruments	Recognized in equity as a change therein, and in no case they may be recognized as financial assets.
Gains and losses on transactions involving equity instruments	No gain or loss may be recognized in the income statement.
Compound financial instruments	Their components of liability and equity are recognized, measured and presented separately.
Derivatives	Initial recognition: fair value. Subsequent measurement: fair value without deducting costs to sell. Changes in fair value are recognized in profit or loss. Some specific rules apply to some financial instruments designated as hedged items.
Preference shares	The ICAC Ruling of March 5, 2019 - in which it expands upon the standards applicable in the recognition of financial instruments and other accounting matters related to the regulation, from the mercantile perspective, of capital companies - analyses, among many other issues, the accounting standards applicable to preference shares.
Participating loans	Participating loans with contingent interest are to be included on the assets side as financial assets at cost. On the liabilities side, the standard applicable is similar to that applicable to silent participation agreements (cuentas en participación), when the interest on them is contingent. Whereas the participation loans have the characteristics of an ordinary or regular loan, they are classed as financial liabilities stated at amortized cost.

Business combinations

General consideration of business combinations	Mergers or spin-offs or business combinations arising from the acquisition of all the assets and liabilities of a company or of a part of a company that constitutes one or more businesses are accounted for using the purchase method. Acquisitions of shares, including those received through non-monetary contributions in the formation of a company, or other transactions resulting in the acquisition of control without any investment being made are governed by the rules for measuring financial instruments.
Business combinations between Group companies	In mergers between group companies in which the parent and a directly- or indirectly-owned subsidiary participate, the businesses acquired are measured at the amount attributed to them, after the transaction, in the consolidated financial statements of the group or subgroup. In the case of mergers between other group companies, where there is no parent/subsidiary relationship between them, the assets and liabilities of the business are measured at the amounts at which they had been carried prior to the transaction in the individual financial statements, and any difference disclosed must be recognized in a reserves account. In spin-offs involving companies in the same group, criteria equivalent to those applied to mergers must be followed.
Negative difference arising from business combinations	If, exceptionally, the value of the identifiable net assets acquired exceeds the cost of the business combination, such excess shall be recognized as income in the income statement, with some exceptions.
Goodwill arising from business combinations	Initially measured as the difference between the cost of the business combination and the value of the identifiable assets acquired less the amount of the liabilities assumed, including contingent liabilities. Goodwill is amortized over its estimated useful life. This is presumed to be 10 years in the absence of evidence to the contrary, with amortization being required to be charged on a straight-line basis.
Reverse acquisitions	The rules in the standards for the preparation of consolidated financial statements must be applied.

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INVENTORIES AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Separate transactions	The acquirer must identify separate transactions, which don't form part of the business combination and recognize them under the required recognition or measurement rule.
Joint ventures	
Concepts and classification of joint ventures	A joint venture is an economic activity controlled jointly by two or more natural or legal persons. The SNCA distinguishes between jointly controlled operations, jointly controlled assets and jointly controlled entities.
Concept of joint control	A by-law established or contractual agreement whereby 2 or more parties agree to share the power to govern the financial and operating policies of an economic activity so as to obtain economic benefits.
Jointly controlled operations and assets	The venturer shall recognize (i) the proportional part of the jointly controlled assets and jointly incurred liabilities, (ii) in its income statement, the assets attributed to the jointly controlled operation controlled by it and the liabilities incurred as a result of the joint venture, and (iii) its share of the income earned and the expenses incurred by the joint venture, together with the expenses incurred in relation to its interest in the joint venture.
Jointly controlled entities	The venturer recognizes its interest in accordance with the rules governing investments in Group companies, jointly controlled entities and associates.

SALES OF GOODS AND RENDERING OF SERVICES

Recognition of income	Income is recognized upon the control transfer of the goods or services promised to the customer.
Process for determining income	• Step 1: identify control with customer. • Step 2: identify the separate obligations under the contract. • Step 3: determine the price of the transaction. • Step 4: apportion the price of the transaction among the contract obligations. • Step 5: recognize income upon (or in line with) settlement of the obligations by the company.
Measurement	Revenue is measured at the fair value of the consideration received or receivable, net of discounts and price reductions.
Interest included in the face value of receivables	Deducted from the price agreed on, except in the case of trade receivables maturing within no more than one year for which no contractual interest rate has been established, provided that the effect of the time value of money is not material.
Swaps of goods and services	No revenue is recognized in swaps of homogeneous elements, such as exchanges of finished products or interchangeable goods, taking place between 2 companies that seek a more efficient way to deliver the product to their respective customers.

Grants, donations and legacies received

Presentation in the financial statements	Repayable grants are recognized as liabilities. In general, non-repayable grants are initially recognized directly in equity and are allocated to profit or loss in proportion to the related expenses.
Allocation to profit or loss of grants related to assets	<i>Property, plant and equipment, intangible assets and investment property:</i> recognized as income over the periods and in the proportions in which depreciation on those assets is charged or, if applicable, when the assets are sold, written down for impairment or derecognized. <i>Inventories and financial assets:</i> The year of the sale, valuation adjustment or derecognition.

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SALES OF GOODS AND RENDERING OF SERVICES

Measurement of non-monetary grants Measured at the fair value of the asset received at the date of recognition.

Grants provided by shareholders or owners Must be recognized directly in shareholders' equity, regardless the type of grant involved, except for grants received by public-sector companies from the parent public entity because of the performance of activities in the public or general interest, which are allocated to profit or loss on the basis of their purpose.

Share-based payment

Concept Transactions which, in exchange for goods or services, including services provided by employees, are settled using equity instruments of the entity or an amount based on the price of the entity's equity instruments.

Recognition of equity-settled share-based payment transactions The goods or services received are recognized immediately as an asset or as an expense on the basis of their nature. Also, an increase in equity is recognized. When it is necessary to complete a specified period of service, the items will be recognized as the services are rendered over that period.

Recognition of transactions with the option of settlement in cash or in equity instruments A liability is recognized to the extent that the entity has incurred a present obligation to settle in cash or in other assets, and where this is not the case, an equity item is recognized. If the option corresponds to the supplier, it is recognized as a composite financial instrument.

Settlement in equity instruments Measured at the fair value of the goods or services received with an entry in an equity account. If that fair value cannot be estimated reliably, they are measured at the fair value of the equity instruments granted. Transactions with employees are measured at the fair value of the equity instruments granted at the date on which the resolution to grant them is adopted.

Settlement in cash Measured at the fair value of the liability, referring to the date on which the requirements for recognition are met with an entry in a liability account. Until the liability is settled, any changes in its value are recognized in profit or loss.

Discontinued operations

Concept Component of an entity that either (i) has been disposed of or is classified as held for sale, and represents a separate major line of business or geographical area of operations, (ii) is part of a plan to dispose of a separate major line of business or geographical area of operations, or (iii) is a subsidiary acquired exclusively with a view to resale.

Intragroup transactions

General rule The items in an intragroup transaction must be recognized at their fair value.

Special rules These special rules are only applicable when the items in the transaction are a business and there is no monetary consideration:

- Contributions in kind: measurement in consolidated financial statements (or individual statements if no consolidation statements are formulated).
- Mergers and spin-off: measurement:
 - If there is a parent/subsidiary relationship between, them the value that should be considered in the consolidated financial statements is used.
 - If that parent/subsidiary relationship does not exist, the value in the consolidated financial statements is also used (or individual statements if no consolidation statements are formulated).

The effective date for accounting purposes will be the beginning of the fiscal year in which the merger is approved provided it falls after the date on which the companies became part of the group.
- Capital reduction, distribution of dividends and dissolution of companies.



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An important development in 2019 was the publication of the Resolution of March 5, 2019 of the Spanish Accounting and Audit Institute (ICAC), which developed the criteria for the presentation of financial instruments and other accounting aspects related to the commercial regulation of corporations. This Resolution establishes the recognition and valuation criteria applicable to transactions such as (i) the acquisition and disposal of own shares, (ii) interest and dividend income, (iii) capital increases or reductions, (iv) other types of shareholder contributions, (v) accounting aspects of special shares (privileged, non-voting, redeemable), (vi) non-monetary contributions, (vii) outstanding paid-in capital, (viii) joint accounts, (ix) restatement of annual accounts, (x) profit distributions, (xi) dissolution and liquidation, (xii) transformation of the corporate form, and (xiii) mergers and spinoffs, among other things.

In general, this Resolution summarizes the doctrine issued by the ICAC in its previous rulings. The main modification is that the ICAC changes its interpretation with respect to the accounting treatment of script dividends for shareholders of a company. Thus, when the company agrees to provide free assignment rights under a shareholder remuneration program that allows shareholders to (i) acquire free shares, (ii) sell such rights in the market, or (iii) sell them to the issuing company itself, the shareholder will recognize the corresponding financial income, and the securities received at their fair value. Such accounting treatment was applicable to the financial statements for years beginning on or after January 1, 2020 (without prejudice to the possibility to opt for a retroactive application).

The most recent major reform of accounting legislation was approved by Royal Decree 1/2021 and became effective since January 1, 2021. This reform has introduced changes of different types into accounting legislation in order to align it with the latest international accounting standards, and primarily with IFRS-EU 9 on financial instruments and IFRS-EU 15 on the recognition of revenue. The ICAC also published its ruling on February 10,

2021, establishing rules on recognition and measurement and the preparation of financial statements in relation to revenue from the supply of goods and services, for the implementation of the above mentioned IFRS-EU 15.



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5. Distributable profit

In the context of the accounting legislation reform process described above, the rules for distributing company profit included in article 273 of the Revised Corporate Enterprises Law have been amended, and, in general terms, currently provide that:

- The profit taken directly to equity may not be distributed either directly or indirectly (this relates to adjustments for positive changes in value and subsidies, donations and bequests recognized directly in equity).
- Any distribution of profit is prohibited unless the amount of unrestricted reserves is at least equal to the amount of research and development expenditure that appears on the asset side of the balance sheet.

The ICAC ruling of March 5, 2019, expands upon the concept of “distributable profits”. This is defined as the aggregate result for the year, as reflected in the approved balance sheet, with the following adjustments being made:

- a. Positive: (1) unrestricted reserves and (2) retained earnings.
- b. Negative: (1) prior-year losses. However, the amount by which this result exceeds the positive adjustments will only be included as a negative adjustment insofar as it is not offset, materially, by the balance of the legal reserve and other pre-existing restricted reserves, and (2) the part of the exercise’s result which is required to be allocated to the legal reserve and other obligatory provisions established by the law or bylaws.

The share premium and premium upon subscription of S.L. shares constitute contributed equity that can be recovered by the shareholders on the same terms as unrestricted reserves and shareholders’ contributions.

Article 28 of the ruling relates to the allocation of results. In this respect, dividends can only be distributed against distributable profits if the equity value is not — or does not become as a result of the distribution — lower than the capital stock for mercantile purposes.

6. Consolidation

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As part of the process of adapting Spanish accounting legislation to EU law, Royal Decree 1159/2010, of September 17, approved the Standards for the Preparation of Consolidated Financial Statements (NOFCAC).

The most important aspects ruled by that Royal Decree in this sphere are as follows:

- It widens the definition of “control” meaning the power to steer the financial and operating policies of an entity with the aim to obtain profits from its activities.
- Companies are exempted from the obligation to consolidate when the parent only has investments in subsidiaries that do not have a significant interest, individually or as a whole, to present fairly the equity, financial position and results of the group companies.
- It sets out the rules for recognizing eliminations of investments and net equity in cases of (i) inclusion of companies that constitute a business, (ii) consolidation of a company that does not constitute a business, and (iii) consolidation among companies that were already part of the group.
- It lays down rules for the conversion of financial statements in foreign currency.

This Royal Decree applies to the consolidated financial statements, for financial years beginning on or after January 1, 2010, of the following:

- Groups of companies, including subgroups, whose parent company is Spanish³.
- Cases in which any parent enterprise—whether an individual or a legal entity— voluntarily prepares and publishes consolidated financial statements.

- When consolidated financial statements are prepared and published by any individual or legal entity, to the extent that the substantive rules applicable to such entity require it to do so, or it does so voluntarily.

³ If at the year-end date, any of the group companies has issued securities admitted for trading on a regulated market of any European Union Member State, only the first section of Chapter I and the first section of Chapter II are applicable obligatorily. This same criterion applies when the parent company opts to apply the international financial reporting standards adopted in European Union Regulations. The information referred to in points 1 to 9 of article 48 of the Commercial Code is required to be included in the notes to the financial statements in any event.

7. Requirements concerning disclosures in the notes to the financial statements



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The Spanish Commercial Code states that the notes to the financial statements must complete, expand upon and discuss the contents of the other documents that make up the financial statements.

The minimum disclosure requirements are specified in the Revised Spanish Corporate Enterprises Law, in the Spanish National Chart of Accounts, and in the Standards for the Preparation of Consolidated Financial Statements, all of which indicate that the notes to the financial statements form an integral part of the financial statements.

In response to the relative importance that the principle of fair presentation has in accounting legislation, there is a large number of disclosures to be included in the notes to the financial statements. Among other disclosures, the notes to the separate financial statements must at least contain, in addition to the disclosures specifically provided for in the Commercial Code, the Revised Corporate Enterprises Law and the related implementing legislation, the following information:

- The measurement bases applied to the various items in the financial statements and the methods used for calculating valuation adjustments.
- The name, registered office and legal form of the companies of which the company is a general partner or in which it holds, directly or indirectly, an ownership interest of not less 20%, or in which, even if this percentage is lower, it exercises significant influence.
- The percentage of ownership of the share capital and the percentage of voting power held, together with the amount of the equity in the investee's last business year.
- When there are several classes of shares, the number and par value of each class.

- The existence of "rights" bonds, convertible debentures and similar securities or rights, indicating the number of each and the scope of the rights that they confer.
- The amount of the company's borrowings with a residual life above five years, and the amount of all the liabilities for which there is a security interest, indicating their form and nature. These disclosures must be shown separately for each liability item.
- The overall amount of the guarantee commitments to third parties, without prejudice to their recognition on the liability side of the balance sheet when it is probable that they will give rise to the effective settlement of an obligation.
- The pension obligations and those relating to group companies, with due clarity and separation.
- The nature and business substance of the company's agreements that are not included in the balance sheet and the financial impact thereof, provided that this information is relevant and necessary for determining the company's financial position.
- The company's significant transactions with related third parties, indicating the nature of the relatedness, the amount of the transactions and any other information concerning the transactions that might be required in order to determine the company's financial position.
- The distribution of the company's revenue by line of business and geographical market, to the extent that, from the standpoint of the organization of the sale of goods and of the rendering of services or other revenue of the company, these categories and markets differ significantly from each other. These disclosures may be omitted by companies that can prepare abridged income statements.



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- Regarding revenues, the entity must identify the contracts with customers which give rise to their recognition, significant judgments and changes in such judgments made regarding such contracts and the assets recognized based on the costs in order to obtain or fulfill a contract.
- The average number of employees in the reporting period, broken down by category, and the period staff costs, distinguishing between wages and salaries and employee benefits, with separate disclosure of those covering pensions, when such amounts are not broken down in the income statement.
- The amount of the salaries, attendance fees and remuneration of all kinds earned during the year in all connections by senior executives and the members of the managing body, and the amount of the pension or life insurance premium payment obligations to the former and current members of the managing body and senior executives. When the members of the managing body are legal persons, the aforementioned requirements must refer to the natural persons representing them. These disclosures can be made on an overall basis by type of remuneration.
- The amount of the advances and loans to senior executives and members of the governing bodies, indicating the applicable interest rate, their essential features and such amounts as might have been repaid, together with the guarantee obligations assumed on their behalf. When the members of the managing body are legal persons, the aforementioned requirements refer to the natural persons representing them.
- Companies which have issued securities that are publicly traded on a regulated market of any EU Member State and which, pursuant to current legislation, only publish individual financial statements, are obliged to disclose in the notes

to the financial statements the main changes in equity and profit or loss that would have arisen had EU-IFRSs been applied, indicating the measurement bases used.

- A breakdown of the fees for financial audit and other services provided by the auditors, together with those paid to persons or entities related to the auditors.
- The group, if any, to which the company belongs and the Mercantile Registry at which the consolidated financial statements have been filed or, when applicable, the circumstances relieving the group from the obligation of presenting consolidated financial statements.
- When the company has the largest volume of assets from among the group of companies domiciled in Spain forming part of the same decision-making unit, because they are controlled in any way by one or several natural or legal persons not obliged to consolidate acting jointly, or because they are under single management due to agreements or clauses in the bylaws, a description of the companies must be given, indicating the reasons why they form part of the same decision-making unit, and the aggregate amount of the assets, liabilities, equity, revenue and profit or loss of those companies must be disclosed.

The company with the largest volume of assets is considered to be that which at the date of its inclusion in the decision-making unit has the largest figure under the total assets heading in the balance sheet model.

- The notes to the financial statements must contain information on deferred payments to suppliers in commercial transactions and indicate the average payment period for payments to suppliers.

8. Auditing requirements



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Additional Provision no. One of Accounting Audit Law 22/2015 of July 20, 2015, stipulates that all companies and entities, regardless their legal form, are under the obligation to have their financial statements audited when they are in any of the following situations:

- a. Those issuing securities admitted to trading on official secondary securities markets or multilateral trading systems.
- b. Those issuing debentures for sale to the public.
- c. Those frequently engaging in financial intermediation activities and, in all cases, credit institutions, investment services companies, the governing companies of official secondary markets, the governing companies of multilateral trading systems, the Systems Company, central counterparties, the Stock Exchange Company, investment guarantee fund management companies, and other financial institutions, including collective investment institutions, securitization funds and their managers, entered in the corresponding Registers of the Bank of Spain and Spanish National Securities Market Commission.
- d. Entities whose corporate purpose includes any of the activities regulated by the revised Private Insurance (Regulation and Supervision) Law, approved by Legislative Royal Decree 6/2004 of October 29, 2004, within the limits established in the relevant implementing regulations, and pension funds and their management companies.
- e. Entities that receive government grants or aid or perform work for or render services or make supplies to the State and other public bodies, within the limits established in the implementing regulations to be laid down by the government in a Royal Decree.

- f. All other entities that exceed certain limits defined by the government in a Royal Decree. These limits shall refer, as a minimum, to turnover, total assets according to the balance sheet and the average number of employees for the year and shall be applicable—all of them or each one individually—to the extent possible given the legal structure of each company or entity.

The limits referred to in the preceding paragraph are identified in article 263 of Legislative Royal Decree 1/2010 of July 2, 2010, approving the revised Capital Companies Law, according to which the financial statements must in all cases be reviewed by an auditor, unless at least two of the requirements described below are met in the two consecutive years leading up to the balance sheet date:

- Total assets of €2,850,000 or less.
- Annual turnover of €5,700,000 or less.
- Average number of employees during the year of 50 or fewer.

Companies lose this entitlement if they cease to meet two of the requirements referred to above for two consecutive years.

The objective of the audit is to verify whether the financial statements give a true and fair view of the equity, the financial position and the results of the company and, if applicable, whether the directors' report is consistent with the financial statements for the fiscal year.

The auditor is under the obligation to issue a detailed report on the outcome of the audit work in accordance with the legislation regulating audits. The main points regarding the content of the audit report are as follows:



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- Absence of material misstatements: it must be explained that the audit has been planned and executed in such a way as to obtain reasonable assurance that the financial statements are free of material misstatements, including those deriving from acts of fraud.
- Provision of services other than audit services: the report must include a statement declaring that no services other than the audit of the financial statements have been provided and that there have been no situations or circumstances affecting the necessary independence of the auditor or audit firm.
- Directors' report: apart from expressing an opinion concerning the consistency or otherwise of the directors' report with the financial statements for the same year, the report is to include an opinion as to whether the content and presentation of the directors' report meet the requirements of the applicable legislation, with any material misstatements which may have been detected in this respect being indicated. In cases in which the company audited is under the obligation to issue the Non-financial Information Statement, the auditor's opinion in this respect should be limited to indicating whether or not such Statement has indeed been included.
- A declaration of the responsibility of the company's managing board for the issue of the financial statements to be audited and of the audited entity's internal control system.
- Description of the objective of the audit and the manner in which it has been performed.
- A mention of the name, address and Official Auditors' Register registration number of the auditor or auditors by which the report is signed.

- Clear language and without certain references.
- Due cause for failure to issue the audit report or withdrawal: it is stipulated that due cause shall be deemed to exist in any of the following circumstances:
 - The existence of threats which compromise the independence or objectivity of the auditor or audit firm.
 - When it is absolutely impossible for the auditor or audit firm to perform the work for which they have been engaged owing to circumstances for which they cannot be considered responsible.

Where there are circumstances which prevent the report from being issued or result in withdrawal from the contract, the auditor is required to set out such circumstances in detail and send this statement to the audited entity within no more than fifteen calendar days as from the date on which the auditor became aware of the situation in question. This statement is to be sent not only to the ICAC and to the Commercial Registry, but also to the Court in cases in which the auditor was appointed by court order.

- Date of delivery of the report: there must be a documentary record of the date of delivery of the report by the auditor and the date on which it was received by the entity audited, where there exists a difference between one date and the other.

The provisions of the Audit Law are expanded upon in Royal Decree 2/2021 of January 12, 2021 approving the implementing Regulations in respect of Law 22/2015 of July 20, 2015, which was published in the Official State Gazette on January 30, 2021.

Generally speaking, these Regulations set out the provisions which elaborate upon the content of the articles of Law 22/2015 of July 20, 2015. They refer, for example, to matters such as the drafting of audit contracts, the possibility of an audit being carried out jointly and the requirements to be met, how engagement and deferrals of the payment of audit fees should be formalized, how custodianship and the duty of secrecy are to be exercised, measures are introduced for the purpose of avoiding conflicts of interest or commercial relations or relations of any other type which might compromise the independence of the auditor (independence rules), certain forms of control of the audit activity are established, and provisions are laid down which elaborate upon, among other aspects, the rules on infringements and penalties.

9. Financial statement publication requirements



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The Revised Spanish Corporate Enterprises Law provides that companies must file their financial statements at the Mercantile Registry corresponding to the place in which they have their registered office, within 1 month from their approval, together with a certificate of the resolutions adopted by the shareholders at the Annual General Meeting at which they were approved and the proposed distribution of profit, copies of the financial statements, directors' report, non-financial information statement where applicable and auditors' report (if the company is obliged to have its financial statements audited or if its financial statements were audited at the request of the minority shareholders). They are also required to indicate the beneficial owner of the company and contain all other requisite information.

In relation to the filing of the annual financial statements, on May 24, 2019, the Resolution of May 22, 2019, of the General Directorate of Registers and Notaries, amending Annexes I, II and III of Order JUS/319/2018, of March 21, approving the new templates for the filing with the Mercantile Registry of the annual financial statements, was published, as well as the Resolution of May 22, 2019, of the General Directorate of Registers and Notaries, approving the new template for the filing with the Mercantile Registry of the consolidated annual financial statements of the parties obliged to publish them.

The Mercantile Registry is public and the corporate documentation filed thereat is publicized through certificates of the entries made by the registrars or through an uncertified extract, or through the issuance of copies of the entries made and of the documents filed at the Registry, all in accordance with the Spanish Commercial Code.

Also, publicly-traded companies must (pursuant to Securities Market Law 24/1988) present copies of their financial statements and of the related auditors' report to the Spanish National Securities Market Commission.

The official registers and other documentation in the possession of the Mercantile Registry and the Spanish National Securities Market Commission are available to the public for their perusal.

APPENDIX I

Balance sheets as at the 202X year-end



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ACCOUNT NO.	ASSETS	NOTE TO THE FINANCIAL STATEMENTS NO.	202X	202X-1
A. NON-CURRENT ASSETS				
I. Intangible assets.				
201, (2801), (2901)	1. Development.			
202, (2802), (2902)	2. Concessions.			
203, (2803), (2903)	3. Patents, licenses, trademarks and similar assets.			
204, (2804)	4. Goodwill.			
206, (2806), (2906)	5. Computer software.			
205, 209, (2805), (2905)	6. Other intangible assets.			
II. Property, plant and equipment.				
210, 211, (2811), (2910), (2911)	1. Land and buildings.			
212, 213, 214, 215, 216, 217, 218, 219, (2812), (2813), (2814), (2815), (2816)	2. Plant and other tangible assets.			
23	3. Fixed assets under construction and advances.			
III. Investments in fixed assets.				
220, (2920)	1. Land.			
221, (282), (2921)	2. Buildings.			
IV. Long-term investments in group companies and associates.				
2403, 2404, (2493), (2494), 293	1. Equity instruments.			
2423, 2424, (2953), (2954)	2. Loans to companies.			
2413, 2414, (2943), (2944)	3. Debt securities.			
	4. Derivatives.			
	5. Other financial assets.			

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ACCOUNT NO.	ASSETS	NOTE TO THE FINANCIAL STATEMENTS NO.	202X	202X-1
	V. Long-term Investments.			
2405, (2495), 250, (259)	1. Equity instruments.			
2425, 252, 253, 254, (2955), (298)	2. Loans to third parties.			
2415, 251, (2945), (297)	3. Debt securities.			
255	4. Derivatives.			
258, 26	5. Other financial assets.			
474	VI. Deferred tax assets.			
B. CURRENT ASSETS				
580, 581, 582, 583, 584, (599)	I. Non-current assets held for sale.			
	II. Inventories.			
30, (390)	1. Merchandise.			
31, 32, (391), (392)	2. Raw materials and other supplies.			
33, 34, (393), (394)	3. Work in process.			
35, (395)	4. Finished products.			
36, (396)	5. By-products, waste and recovered materials.			
407	6. Advances to suppliers.			
	III. Trade and other accounts receivables.			
430, 431, 432, 435, 436, (437), (490), (4935)	1. Clients for sales and provisions of services.			
433, 434, (4933), (4934), 44, 5531, 5533	2. Trade receivables, group and associated companies.			
44	3. Sundry accounts receivable.			
460, 544	4. Staff costs.			

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ACCOUNT NO.	ASSETS	NOTE TO THE FINANCIAL STATEMENTS NO.	202X	202X-1
4709	5. Current tax assets.			
4700, 4708, 471, 472, 5580	6. Other receivables from public administrations.			
5580	7. Due from shareholders (members) for capital calls.			
	IV. Short-term investments in group and associated companies.			
5303, 5304, (5393), (5394), (593)	1. Equity instruments.			
5323, 5324, 5343, 5344, (5953), (5954)	2. Loans to companies.			
5313, 5314, 5333, 5334, (5943), (5944)	3. Debt securities.			
	4. Derivatives.			
5353, 5354, 5523, 5524	5. Other financial assets.			
	V. Short-term investments.			
5305, 540, (5395), (549)	1. Equity instruments.			
5325, 5345, 542, 543, 547, (5955), (598)	2. Loans to companies.			
5315, 5335, 541, 546, (5945), (597)	3. Debt securities.			
5590, 5593	4. Derivatives.			
5355, 545, 548, 551, 5525, 565, 566	5. Other financial assets.			
480, 567	VI. Short-term accruals.			
	VII. Cash and cash equivalents.			
570, 571, 572, 573, 574, 575	1. Treasury.			
576	2. Cash equivalents.			
TOTAL ASSETS (A+B)				



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ACCOUNT NO.	EQUITY AND LIABILITIES	NOTE TO THE FINANCIAL STATEMENTS NO.	202X	202X-1
A. EQUITY				
A.1 Equity and liabilities.				
I. Capital.				
100, 101, 102	1. Subscribed capital.			
(1030), (1040)	2. (Uncalled capital).			
110	II. Share premium.			
III. Reserves.				
112, 1141	1. Legal and statutory reserves.			
113, 1140, 1142, 1143, 1144, 115, 119	2. Other reserves.			
IV. (Treasury shares and equity instruments).				
(108), (109)	V. Prior-year income/losses.			
120	1. Retained earnings.			
(121)	2. (Prior-year losses).			
118	VI. Other shareholders' contributions.			
129	VII. Income/loss for the year.			
(557)	VIII. (Interim dividend).			
111	IX. Other equity instruments.			
A.2 Adjustments for changes in value.				
133	I. Financial assets at fair value through changes in equity.			
1340	II. Hedging transactions.			

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ACCOUNT NO.	EQUITY AND LIABILITIES	NOTE TO THE FINANCIAL STATEMENTS NO.	202X	202X-1
137	III. Other.			
130, 131, 132	A.3 Subsidies, donations and legacies received.			
B. NON CURRENT LIABILITIES				
	I. Long-term provisions.			
140	1. Long-term post-employment obligations.			
145	2. Environmental measures.			
146	3. Provisions for restructuring.			
141, 142, 143, 147	4. Other provisions.			
	II. Long-term debts.			
177, 178, 179	1. Bonds and other negotiable securities.			
1605, 17	2. Payable to credit institutions.			
1625, 174	3. Finance lease payables.			
176	4. Derivatives.			
1615, 1635, 171, 172, 173, 175, 180, 185, 189	5. Other financial liabilities.			
1603, 1604, 1613, 1614, 1623, 1624, 1633, 1634	III. Long-term payables to group companies and associates.			
479	IV. Deferred tax liabilities.			
181	V. Long-term accruals.			
C. CURRENT LIABILITIES				
585, 586, 587, 588, 589	I. Liabilities associated with noncurrent assets held for sale.			

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ACCOUNT NO.	EQUITY AND LIABILITIES	NOTE TO THE FINANCIAL STATEMENTS NO.	202X	202X-1
499, 529	II. Short-term provisions.			
	III. Current payables.			
500, 501, 505, 506	1. Bonds and other negotiable securities.			
5105, 520, 527	2. Payable to credit institutions.			
5125, 524	3. Finance lease payables.			
5595, 5598	4. Derivatives.			
(1034), (1044), (190), (192), 194, 509, 5115, 5135, 5145, 521, 522, 523, 525, 526, 528, 551, 5525, 5530, 5532, 555, 5565, 5566, 560, 561, 569	5. Other financial liabilities.			
5103, 5104, 5113, 5114, 5123, 5124, 5133, 5134, 5143, 5144, 5523, 5524, 5563, 5564	IV. Short-term payables to group companies and associates.			
	V. Trade and other payables.			
400, 401, 405, (406)	1. Trade payables.			
403, 404	2. Trade payables, group companies and associates.			
41	3. Sundry accounts payable.			
465, 466	4. Staff (salaries payable).			
4752	5. Current tax liabilities.			
4750, 4751, 4758, 476, 477	6. Other payables to public administrations.			
438	7. Customer advances.			
485, 568	VI. Short-term accruals.			
TOTAL EQUITY AND LIABILITIES (A+B+C)				

* Chart of accounts approved by Royal Decree 1514/2007 of November 16, 2007, approving the Spanish National Chart of Accounts, version in force as from January 31, 2021.

APPENDIX II

Income statements for the year ended __202X



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- 1 Legal framework
- 2 Accounting records
- 3 Financial statements
- 4 Conceptual accounting framework and recognition and measurement bases
- 5 Distributable profit
- 6 Consolidation
- 7 Requirements concerning disclosures in the notes to the financial statements
- 8 Auditing requirements
- 9 Financial statement publication requirements

APPENDIX I. Balance sheets as at the 202X year-end

APPENDIX II. Income statements for the year ended __202X

ACCOUNT NOS.	NOTE	(DEBIT) CREDIT
		202X 202X-1
A. CONTINUING OPERATIONS		
	1. Net turnover.	
700, 701, 702, 703, 704, (706), (708), (709)	a. Sales.	
705	b. Provisions services.	
(6930), 71, 7930	2. Change in inventories of finished products and work in progress.	
73	3. In-house work performed on property, plant and equipment.	
	4. Procurement.	
(600), 6060, 6080, 6090, 610	a. Goods purchased for resale sold.	
(601), (602), 6061, 6062, 6081, 6082, 6091, 6092, 611, 612	b. Cost of raw materials and other consumables used.	
(607)	c. Work performed by other companies.	
(6931), (6932), (6933), 7931, 7932, 7933	d. Impairment of goods held for resale, raw materials and other supplies.	
	5. Other operating revenues.	
75	a. Non-core and other current operating revenues.	
740, 747	b. Operating subsidies taken to income for the year.	
	6. Staff costs.	
(640), (641), (6450)	a. Wages, salaries and similar expenses.	
(642), (643), (649)	b. Social security and other costs.	
(644), (6457), 7950, 7957	c. Provisions.	

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ACCOUNT NOS.	NOTE	(DEBIT) CREDIT	
		202X	202X-1
	7. Other operating expenses.		
(62)	a. Other general and administrative expenses.		
(631), (634), 636, 639	b. Taxes.		
(650), (694), (695), 794, 7954	c. Losses, impairment and increase (decrease) in operating provisions.		
(651), (659)	d. Other general and administrative expenses.		
(68)	8. Depreciation/amortization of fixed assets.		
746	9. Imputation of subsidies related to nonfinancial fixed assets and others.		
7951, 7952, 7955, 7956	10. Over-provisions.		
	11. Impairment and gains (losses) on disposal of fixed assets.		
(690), (691), (692), 790, 791, 792	a. Impairment and losses.		
(670), (671), (672), 770, 771, 772	b. Gains/(losses) on disposals and other.		
A.1. PROFIT/LOSS FROM OPERATIONS (1+2+3+4+5+6+7+8+9+10+11)			
	12. Finance income.		
	a. From shares in equity instruments.		
7600, 7601	a1. In group companies and associates.		
7602, 7603	a2. In third parties.		
	b. From negotiable securities and other financial instruments.		
7610, 7611, 76200, 76201, 76210, 76211	b1. From group companies and associates.		
7612, 7613, 76202, 76203, 76212, 76213, 767, 769	b2. From third parties.		

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ACCOUNT NOS.	NOTE	(DEBIT) CREDIT	
		202X	202X-1
13. Financial expenses.			
(6610), (6611), (6615),(6616), (6620), (6621),(6640), (6641), (6650),(6651), (6654), (6655)	a. On payables to group companies and associates.		
(6612), (6613), (6617), (6618), (6622), (6623), (6624)	b. On payables to third parties.		
(6624), (6642), (6643),(6652), (6653), (6656), (6657), (669)			
(660)	c. On restatement of provisions.		
14. Changes in fair value of financial instruments.			
(6630), (6631), (6633), 7630, 7631, 7633	a. Fair value through profit and loss.		
(6632), 7632	b. Transfer of fair value adjustments through changes in equity.		
(668), 768	15. Exchange differences.		
16. Impairment and gains/(losses) on disposals of financial instruments.			
(696), (697), (698),(699), 796, 797, 798, 799	a. Impairment and losses.		
(666), (667), (673), (675), 766, 773, 775	b. Gains/(losses) on disposals and other.		
A.2. FINANCIAL INCOME/EXPENSE (12+13+14+15+16)			
A.3. INCOME/EXPENSE BEFORE TAXES (A.1+A.2)			
(6300*), 6301*, (633), 638	17. Income tax.		
A.4. INCOME/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS (A.3+17)			
B. DISCONTINUED OPERATIONS			
18. Income/loss for the year on discontinued operations net of taxes.			
A.5. INCOME/LOSS FOR THE YEAR (A.4+18)			

(*) May be positive or negative.

Note: Chart of accounts approved by Royal Decree 1514/2007 of November 16, 2007 approving the Spanish National Chart of Accounts, version in force as from January 31, 2021.



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