



Setting up your new business in Spain

Anyone wishing to set up a business, must decide whether they wish to trade in their name or via a company. This article will look at an individual who has opted to trade in Spain using a Spanish company.

Spanish company basics

The Spanish corporate register (or equivalent of Companies house in the U.K.) is known as the "Registro Mercantil", mercantile register.

There are two common types of companies used for trading companies the first is known as the "Sociedad Anonima" (S.A.). This type of company is not usually used by small or medium business start ups as you need a starting share capital of €60,000. The shares of these companies can be listed on the Spanish stock exchange and are usually only used by large corporations.

The second type of company is called the "Sociedad de Responsabilidad Limitada" (S.L.). This company is usually used by small or medium size businesses and is the equivalent of the limited liability company.

An S.L. requires a minimum fully subscribed share capital of €3,000. This share capital must be fully paid up (although it is possible for this initial share capital to be made up of immoveable property or certain rights).

As suggested by the name the shareholders have limited liability with this type of company (unlike the unlimited liability mentioned earlier), the company needs to be set up with a minimum of one shareholder and unlike the S.A. above shares in a S.L. cannot be listed on the stock exchange.

The director of a Spanish company is known as the "administrador". If the administrador of the company is the sole owner then the company is known as a "sociedad limitada unipersonal" (S.L.U.). The main difference is that the owner is treated as being self employed for social security purposes.

Incorporation process

The proposed Company name needs to be checked for availability at the Mercantile register. Five names in order of preference is submitted and the Mercantile register who will issue a certificate for the first available name. Once the certificate for the name is

issued, the name will be reserved for up to 6 months from the date the Company name certificate is issued. The certificate itself has a three month validity therefore if the company is not incorporated within the three months a renewal of the certification would be required.

A bank account for the new company would need to be opened so that the share capital can be deposited in the account and the bank will issue a deposit certificate.

A temporary tax identification number (Numero de Identificacion Fiscal: NIF) would need to be applied for from the tax office.

The deed of incorporation must be signed before a public notary. The above documents (company name certificate, bank deposit certificate and temporary NIF certificate) must all be submitted to the notary at the signing. The public deed will contain information such as the identity of every shareholder, the payment made by each shareholder, the number of shares each shareholder has subscribed to, the Company by laws and who the directors are and their identity. All the shareholders and Directors will need to have a Spanish tax number so that they can be properly identified in the incorporation deed.

Once completed, the transfer tax/legal documents tax needs to be paid. This is completed via a 600 tax return form. Once completed and paid, the deed can be submitted with payment of the Mercantile fees, so that the deed can be registered at the Mercantile register.

Spanish accounts and corporate taxes

Once the company is incorporated, the next step is registering with the Spanish tax authorities for the relevant taxes (corporation tax, IVA, withholding tax if applicable etc). The general corporation tax rate in Spain is 25%, but the rate can change (depending on the company's position) for example, newly incorporated small/medium sized trading companies are able to benefit from a lower 15% corporation tax rate for the first two years of taxable profits.

Spanish trading companies have to register for Spanish VAT (I.V.A.). Therefore, any invoices issued would need to include I.V.A. which is currently charged at a general rate of 21%.

There are a number of forms that the Spanish company would need to complete and submit hence the importance of using a good adviser. The main forms are detailed in our summary table below:



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Form	Description	Submission date
303	Quarterly IVA return	20 days after the end of each quarter
340	"Libro registro" transactions	Monthly
390	Annual IVA return	Annually, by 31 st January after the year end
200	Corporate tax return	Annually, by 25th January after the year end
202	Payment on account tax return	April, October and December
111	Quarterly withholding tax return	20th day after the quarter
190	Annual withholding tax return	Annually, by 31 st January after the year end
115	Quarterly withholding tax return (for rentals)	20th day after the quarter
180	Annual withholding tax return (for rentals)	Annually, by 31 st January after the year end
347	Tax return summary for transactions > €3,000	Annually, by 31st March after the year end
349	Company intra-community transactions	20th day after the quarter

You will need to keep copies of all your invoices issued and paid (expenses) to help in the completion of the above forms.

It is important that all invoices issued have the full details of the company providing the service as it is possible for the Spanish tax authorities to later disallow them if you do not have properly issued invoices.

Although the above list is quite long there are some forms which may not need to be completed by your company as they may not have a certain type of transaction for example, form 349 only applies to companies involved in transactions involving other EU states.

We at Foresight Consultancy have the relevant expertise and would be happy to help you through the bureaucratic maze involved in corporate ownership allowing you to concentrate on building up a strong and fruitful business, so if you are thinking of incorporating a Spanish company or already have an existing company which you would like us to review please do not hesitate to contact us directly at: info@foresightconsultancy.com.