

INVEST IN SPAIN

BUSINESS GUIDE



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1. Introduction



Spain is one of the leading world economic powers and the 7th recipient of FDI (Foreign Direct Investment) globally. The attractive of Spain for **foreign investment** not only lies in its **domestic market**, also in the possibility of operating with third markets from our country. And this is because Spain has a **privileged geostrategic position**: belongs to the **European Union** and is the gateway to North Africa and Latin America. In this way, thanks to the economic and cultural ties, Spain is optimal for developing business with Latin America.

In addition, Spain is a modern economy and has a favourable environment for doing business and even though the 2012 was an extremely hard year for the Spanish economy; our country reached the fourth place in the ranking of the most attractive countries in Europe for foreign investment¹.

There are plenty of reasons why it is profitable to invest in Spain, among which we would like to highlight the following:

- It is an intensive economy in knowledge in labour mass young and qualified, above the European average.
- Availability of one of the best networks of infrastructure in Europe.

¹ According to the report published by the newspaper ABC, released at the end of 2013.

- Telecommunications' sector at the global forefront.
- Business tax system with large advances in simplification and onerous compared to other European places. As well as provides attractive tax incentives to R & D, of the more favourable of the OECD.
- Sector biotechnology at the global forefront.
- Very attractive labour force:
 - o Global cost between 10% - 30%, less than our major European partners.
 - o Productivity increase between 2-3 times higher than our major European partners.
- Key geostrategic position to access to markets of great potential, because of the proximity and linguistic and commercial ties.
- Offers great business opportunities in some of the growing global sectors: ICT, renewable energy, automotive, aerospace, environment and biotechnology.
- In Spain, as a Member State of the EU, the potential investors can access European aid programmes.



2. Characteristics of Spain

2.1. The country, its population and geographical features.



Spain has 505.988 Km² of surface and is characterized by its climate and diverse geographic regions, is located in the Iberian Peninsula, and is the fourth largest country in the European Union. Besides the peninsular territory, includes the Balearic Islands in the Mediterranean Sea, the cities of Ceuta and Melilla in North Africa and the Canary Islands in the Atlantic Ocean.

The peninsular territory shares land borders with France and the Principality of Andorra to the North, with Portugal in the West and the British territory of Gibraltar to the South. In its African territories, it shares land and sea borders with Morocco.

According to the Spanish Constitution, the Spanish is the official language of the State and all Spaniards should know it and have the right to use it. Other languages are also recognised as co-official in various autonomous communities, in accordance with the statutes of autonomy.

The Spanish economy is the 13th world economy in terms of GDP, ahead of Indonesia and Turkey, according to Eurostat, the Spanish GDP per capita stood, in 2013, €21.948. It is the 8th country in the world with a greater presence of multinationals, behind Japan, and ahead of Australia. In addition, according to the 2010 of the UN report, it has a human development index of 0,878, the 23rd largest in the world, ahead of other large European countries, such as Italy, United Kingdom and Greece. On the other hand, the Spanish economy has greater social inequality of the euro-zone, according to the results obtained by Eurostat concerning the Gini coefficient.

Population

Its population is 47.190.493 inhabitants, according to data from the municipal register of 2011. The set of estimated population, 41.242.592 are of Spanish nationality, and 5.708.940 foreigners, which represents 12.2%. The population density, 91,13 in hab/km², is less than most other Western European countries and its distribution throughout the territory is very irregular: the areas more densely populated are concentrated on the coast, the Valley of the Guadalquivir River and the area of the metropolitan area of Madrid, while the rest of the interior is very weakly occupied.

Most populated Spain's municipalities

	Municipality	Autonomous Community	Population
1	Madrid	Comunidad de Madrid	3 233 527
2	Barcelona	Cataluña	1 620 943
3	Valencia	Comunidad Valenciana	797 028
4	Sevilla	Andalucía	702 355
5	Zaragoza	Aragón	679 624
6	Málaga	Andalucía	567 433
7	Murcia	Región de Murcia	441 354
8	Palma de Mallorca	Islas Baleares	407 648
9	Las Palmas de Gran Canaria	Islas Canarias	382 296
10	Bilbao	País Vasco	351 629
11	Alicante	Comunidad Valenciana	334 678
12	Córdoba	Andalucía	328 841
13	Valladolid	Castilla y León	311 501
14	Vigo	Galicia	297 355
15	Gijón	Principado de Asturias	277 733
16	Hospitalet de Llobregat	Cataluña	257 057
17	La Coruña	Galicia	246 146
18	Vitoria	País Vasco	242 223
19	Granada	Andalucía	239 017
20	Elche	Comunidad Valenciana	230 587

Table I: source population recorded in Spanish provincial capitals on January 1, 2011 by the National Institute of statistics / BOE (The Congressional Record).

Climate

Spain has a very diverse climate throughout its territory. Dominate the Mediterranean climate in almost all of its geography. The South coast and Mediterranean have a so-called Mediterranean climate of coast: mild temperatures, abundant rainfall almost year-round except in summer.

As we move into the interior the climate is more extreme, we have the continental Mediterranean climate, which covers almost the entire Peninsula, low temperatures in winter and high in summer and irregular precipitation (depending on geographical location).

In general, the Western communities receive more rainfall than the Eastern. Therefore, Galicia and the Cantabrian have an oceanic climate, characterized by abundant precipitation throughout the year, especially in winter, and cool temperatures.

The subtropical climate is characteristic of the Canary Islands, with year-round warm temperatures and little rainfalls (more abundant in the Western Isles). However, this climate is also given in the southern coasts of the peninsula (Malaga, Granada, Almeria), where they have relatively mild temperatures throughout the year, although rainfall is most abundant to something which in the Canary Islands.

2.2. Social data



The Spanish is the official language of Spain but is not the only language spoken in our country. Catalan (in Catalonia and the Balearic Islands), the Valencian (in the community of Valencia), Galician (in Galicia) and Basque (in Basque), are the other languages spoken in Spain. English is the most studied foreign language in schools and colleges.

The employed population of Spain is 23.1 million people, compared to other OECD countries, the Spanish population is relatively young, the 67% are between 16 and 64 years and only 17% is older than 65, according to the figures of the year 2011. In addition, as you can see in the

table II, Spain has undergone an important flow of immigration in recent years, which is compensating for the consequences of the ageing of the population.

Foreign residents of Spain by continent of origin			
	2009	2010	2011
Europe	2.007.633	2.172.068	2.306.242
America	1.479.014	1.409.547	1.494.060
Asia	299.743	313.728	349.240
Africa	944.696	1.028.489	1.098.599
Oceania	1.903	1.758	1.815
Unknown	8.243	1.018	1.138
Total	4.741.232	4.926.608	5.251.094

Table II: Ministry of Employment and Social Security.

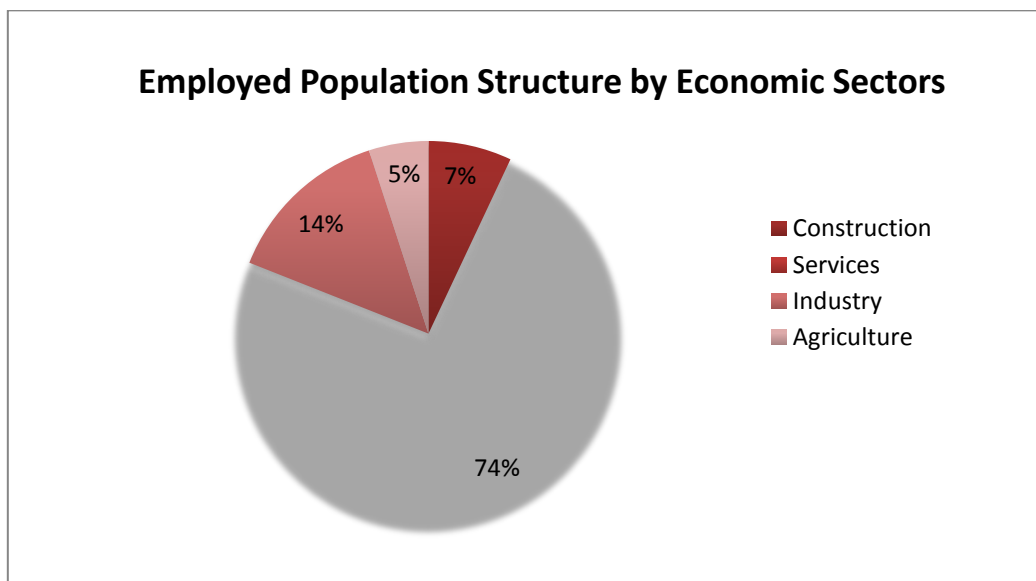


Chart I. Spain's employed population's structure. Source: Ministry of Employment.

In terms of the structure of the employed population by economic sectors in Spain, it changed significantly, emphasizing the increase in employed population sector services and the decline in the number of persons employed in agriculture and industry (chart 1).

2.3. Political framework



Spain is a democratic and social State of right of the parliamentary monarchy as a political form. National sovereignty resides in the Spanish people and the head of State is the King of Spain who arbitrates and moderates the regular functioning of the institutions and assumes the highest representation of the Spanish State in international relations. In any case, it has no own-initiative in their political actions, given that it is not responsible for them and they should always be endorsed by the competent political authority.

The executive power, the domestic and foreign politics, civil administration and military as well as the regulatory authority is exercised by the Government of Spain. The Council of Ministers is chaired by the President of the Government, which appoints his ministers and has the functions of a head of Government in a parliamentary system. He is in charge of the courts.

The legislative power is exercised by the Council of Ministers, a bicameral parliamentary institution, supreme organ of representation of the Spanish people. The Council of Ministers are composed of a lower House, the Chamber of the Members of Parliament, and an upper House, the Senate, which is defined as a Chamber of territorial representation.

The judiciary of Spain is formed by the set of courts and tribunals, composed of judges and magistrates, who have the power to administer justice in the name of the King. The judges are career whose top is the national court and the Supreme Court (the Court superior in all aspects except in terms of constitutional guarantees), governed by the General Council of the judiciary.

2.3.1. Spain and the European Union

Spain is a Member State of the **European Union** since January 1, 1986. The current EU has 27 Member States and Spain entered a part of full right to the then European economic community in 1986. The union of these States entailed far-reaching changes for the



benefit of its members, who since the mid-1990s created the European single market and a single currency with which to operate "**the Euro**".

Since then, the European Union has significantly advanced in the unification process by strengthening the political and social ties between citizens with the aim of increasing democracy, efficiency and capacity to deal with global climate change, security and sustainable development challenges.

2.3.2. Spain and other global organizations



Furthermore, Spain is part of global organizations such as the Organization of the United Nations (since 1955), the Organization of the Treaty of the North Atlantic (since 1982) and the Organization for cooperation and economic development; Continental as the Organization for security and cooperation in Europe, the Treaty of the Western European Union and the European Defence Agency; and organizations that closer cultural and historical ties of the transatlantic link as the Latin Union, the Ibero-American community of Nations, and the ABINIA.

3. Economic structure of Spain



Spain is currently the twelfth world economic power, but it has become the eighth, and even the seventh according to GDP nominal, though currently is the third-largest economy with greater decrease in the world. The Spanish economy is one of the most open of the euro-zone and one of the economies with more internationalization in its financial products, services, etc. Spain has traditionally been an agricultural country and it is still one of the largest producers of Western Europe, but since the mid 1950's industrial growth was fast and soon reached a greater weight than the agriculture in the economy of the country.

A set of development plans, which began in 1964, helped to expand the economy, but at the end of the 1970s began a period of economic recession due to the rise of oil prices, and an increase of imports with the arrival of democracy and the opening of borders. Subsequently, the development of the steel, shipbuilding, textile and mining industries increased. Nowadays, the outsourcing of the economy and of the Spanish society is clear both gross domestic product and employment by sector. Tourism revenue can redress the balance of payments. Since Spain was admitted as a full member in the European Union economic policies have evolved on the basis of this great supranational organization (PAC, FIGG...).

Structure of GDP

	2010	2011	2012
Agriculture and fishing	2,6%	2,6%	2,7%
Industry	16,1%	16,9%	16,9%
Construction	11,9%	11,5%	9,1%
Services	69,3%	69,0%	71,3%

Table III. Source: National Statistics Institute

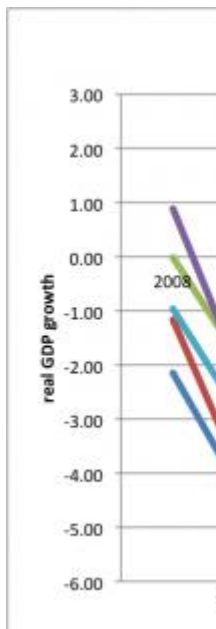


Chart II. GDP Spain and Europe. Source: INE.

3.1. Characteristics of the main sectors

Agriculture



Agriculture was the mainstay of the Spanish economy until the 1960s, but currently employs only about 5% of the employed population. The main crops are wheat, barley, sugar beet, sugar, corn, potato, rye, oats, rice, tomatoes and onion.

Climatic and topographical conditions make that rain-fed agriculture is compulsory in a large part of Spain. Mediterranean littoral provinces have irrigation systems for a long time, and this littoral belt which was previously arid has become one of the most productive areas of Spain. Combined irrigation and hydroelectric projects can be found in the Valley of the Ebro. Large areas of Extremadura are irrigated with water from the Guadiana through irrigation systems.

Cattle industry



Especially the ovine and the porcine have an important impact on the economy. In 2005 the livestock had 22.7 million heads of sheep, 25.1 million pigs, 6.5 million cattle, 3 million goats, 240,000 heads of horses and 131 million fowl.

Silviculture and fishing



Cork is the main forest resource of Spain. Cork world production is about 340,000 tons, of which Spain produces 30%. The production of paper pulp and wood of Spanish forests is insufficient to meet the needs of the country.

The fishing industry is less important today to the Spanish economy than in the past, while it occupies the top positions among European countries both in terms of its fleet as the catches. The annual catch amounted to 1'2 million tons in 2008 and was mainly formed by tuna (26% of tuna trap, Spain fishes the 60% of the total catches of the EU, almost 230.000 t, still the world's second-largest producer).

Mining



The Spanish mining since 1996 has been marked by progressive and forced reduction in the extraction of coal, a certain stagnation in metal mining and the steady growth of industrial rocks and minerals (celestine, sodium sulphate, sepiolite, fluorite, gypsum, feldspar, Slate, marble, granite...) each time with greater weight in the mining sector.

In 2008 the main energy mining products were lignite and hard coal; among the metallic minerals was zinc and between rocks and industrial minerals, common salt and special clays. The main coal mines are in the province of Asturias, in the North of the province of León and in the province of Teruel.

Industry



In Spain they produce, among others, textiles, iron and steel, vehicles, chemicals, clothing, footwear, boats, refining of petroleum and cement, emphasizing because of its value the industrial sectors of the food and beverage and material transport, which include the sector of automobile and aeronautical industry. Spain is one of the world's first producers of wine. The steel industry, before its conversion in the 1990s, was concentrated in Bilbao, Santander and Avilés.

Tourism



Spain, in **2011**, was the third country in the world to receive more foreign tourists, according to data from the **World Tourism Organization**, behind France, United States and China, enjoying a share of 5.5% of world tourism and reporting you 59.982 billion euros, and is located in second position in economic revenue, behind the United States, and ahead of France, China and Italy.

In 2012, Catalonia (Barcelona) was the first tourist destination in Spain. The 15 million tourists who received represent 25% of the total number of arrivals registered in the country. The second tourist destination in Spain was the Islands Balearic Islands, the Canary Islands, Andalusia, Valencia and Madrid.

Currency and bank



The unit of currency is the euro (approximately euro change 1.40 US dollars) and is issued by the Bank of Spain, in coordination with the European Central Bank.

The country has a strong banking system, with large number of commercial banks and savings banks, which in total reach a very large capitalization that puts it the 4th in the world, behind the United States of America, United Kingdom and Switzerland. Two Spanish banks are among the top 20 in the world by market capitalization: SCH (11th) and BBVA (19^o). The main stock exchanges are Madrid, Barcelona, Bilbao and Valencia.

Biotechnology



and France, and surpassing for the first time to Italy.

Spanish biotechnology evolution has continued recording an increase in its billing parameters. According to the relevance of biotechnology in Spain 2011 report, the sector grows annually about 20% and the importance of enterprises to go abroad, has generated our country 3% of world production in biosciences and 9.9% of the scientific European production, taking 4th place in the ranking of EU-15, only behind Germany, United Kingdom

3.2. Infrastructures

Energy



The energy sector in Spain represents approximately a five percent of the gross domestic product of the country. Its importance goes beyond its participation in the total production; it constitutes a sector of strategic nature which requires all branches of economic activity, being the considered energy necessary for any kind of production of goods and services. One of the highlights of the energy sector in Spain has been the scarcity and poverty of energy resources in the national territory. This shortage has traditionally condemned the national energy system to a situation of deficit and external dependency.

In 2008, the 50% of the energy produced in Spain was of nuclear origin, 15% came from coal, 6% of hydro-electric power, and 29% of other renewables.

About renewable energies, since a few years ago, the theoretical capacity of generating wind power is higher than nuclear with 16.740 MW installed in 2008.

Housing



Spain had a 26.018.179 housing stock at the end of the year 2011. Whereas the overall figure, it indicates an average of 1.55 homes by Spanish family. According to a source from the Bank of Spain, 86% of homes in Spain are owned and the remaining 14% is enjoyed in regime of rent or transfer.

The average price of new housing is 2,212 €/m²,

according to data from the society of appraisal to December 31, 2012. The price of housing, however, ostensibly varies depending on the autonomous communities and the provincial capitals, being of higher value in Catalonia (3146 €/m²), and opposed those of Extremadura and Murcia (1,271 €/m²).

Transport



Spain has 105 airports located in different regions. Of these, 33 are international, and they have more than 250 airlines operating, being the most important Madrid-Barajas airport. After its expansion, it aims to be one of the most important connecting airports in the world. Barajas performs an important role of "hub" or connection between capitals of province and abroad, mainly between Europe and Latin America. Barcelona - El Prat Airport, after the opening of the new Terminal T1 in 2008, has 55.000.000 passenger capacity, which aims to become the second most important airport in the South of Europe.

Routes and stations of the Iberian network are managed by ADIF. In them, the State railway company "Renfe Operadora" offers its services. In addition, there are networks of international bandwidth (FGC) and some lines wide metric (FEVE). The Spanish railway system is mainly radial from the centre of Madrid. The city of Barcelona connects Spain to Paris, Zurich and Milan among other European cities.

The services of Alta Velocidad Española (AVE) provided by Renfe Operadora reduced to half in car travel time and reach more than 250 km/h.

The metro network is available in six cities: Barcelona, Bilbao, Madrid, Palma de Mallorca, Seville and Valencia. It is under construction in cities such as Alicante, Malaga and Granada; and planned for Santander. In Zaragoza, there is a tram network.

The Spanish road network consists of about 370,000 miles. This network includes toll roads, free highways, motorways, dual carriageways and conventional roads. In this figure the roads and streets in urban environment, or the Highways or roads agricultural or forestry are not

included. But referring to freeways and highways only, it has a network almost reaching the 13,200 km, making Spain the third country in the world in this aspect, only behind the United States and China. Moreover, Spain has numerous maritime communications with more than 53 international ports on the Atlantic and Mediterranean coasts. Noteworthy is the port of Algeciras, the only one in Spain considered world-class in his high movement of passengers and goods, as well as the port of Vigo, being also one of the most active in terms of goods traffic, live catches of fish and frozen. The port of Seville is the only purely River character that exists in the country, as though the city is on the inside, it has exit to the sea through the river Guadalquivir. The neighbouring port of Cadiz is a strategic point for the shipment of goods to the Atlantic Canary Islands archipelago. The port of Barcelona is the leader of the Mediterranean in cruise traffic, and the second on a global scale.

Telecommunications



Spain has a good network of telecommunications; the extensive network of conventional optical fibre cable will be adding one of the largest networks of submarine cable and satellite connection to the five continents.

The main operator in telephony and Internet access is the multinational Telefonica, based in Madrid, which operates both in fixed-line telephony as mobile, and comes from the State monopoly of the telephone. However, the telecommunications market is open to competition in all sectors since the breaking of the monopoly, in 1994 for mobile and fixed.

In fixed telephony and Internet access, there is currently a market access cable organized by districts in the greater part of which operates ONO, as well as some regional companies in their respective constituencies. In addition, the dominant operator (Telefonica) must allow third-party companies providing services on your network by rental of pairs of copper of their property and space in its power plants.

In mobile telephony, there are four operators with own network and a considerable number of virtual mobile operators which comprises a market in which, since 2006, there are officially more lines than inhabitants. Spain is one of the countries of the European Union with greater extension and quality of coverage. According to a study by the Ministry of Industry in 2006,

98% of the Spanish territory has GSM coverage, ahead of countries like France, Italy or Germany.

Media



Television is the principal media in the country. The three major networks for audience in Spain are La 1, Antena 3 and Telecinco that nearly have the 40% of the share, which is completed by the set of digital strings and grouped in the FORTA regional public channels.

La televisión es el principal medio de comunicación del país. Las tres principales cadenas por audiencia en España son La 1, Antena 3 y Telecinco que acaparan casi el 40% de cuota de pantalla, que se completa con el conjunto de cadenas digitales y canales públicos autonómicos agrupados en la FORTA. After performing in 2010 called «analog Blackout', the only system of signal transmission is digital. In this regard, there are both digital channels of free access and digital payment platforms.

The main payment newspapers not about sports in the country are El País and El Mundo. After them we have ABC, La Vanguardia, El Periódico and La Voz de Galicia. In addition we have the free newspapers 20 minutos and Qué! The sports media highlights the newspapers: Marca, As, El Mundo Deportivo and Sport.

3.3. Foreign trade and investments

Spain is one of the most active countries in the trade of goods and services. In the terms of trade in goods Spain is the 16th exporter and the 13th importer worldwide, while in the trade in services, it is the exporter 7th and 9th World importer.

In 2012, Spain imported products worth 253.401 million euros and exports amounted to 222.643 million euros, with a negative trade balance of 30.757 million euros. Among the main imports and exports were: environment and energy production, industrial technology, chemical industry, fashion, raw materials, semi-manufactured products and intermediate products, among others.

The main trade in Spain take place with other countries of the European Union (including France, Germany, Italy, Portugal, United Kingdom and the Benelux countries), United States, Morocco and Turkey.

The following tables (IV and V) show the distribution of main exports and imports by sector and by country:

Distribution of the principal exportations and importations in 2012.

Exportations		Importations	
Capital goods	20,1%	Energy products	21,4%
Automobile sector	15,4%	Capital goods	17,9%
Food	14,2%	Chemical products	14,5%
Chemical products	13,7%	Consumption manufacturers	10,5%
Non-chemical semi-manufacturers	12,2%	Automobile sector	10,4%
Consumption manufacturers	8,2%	Food	10,4%
Energy products	7,4%	Non-chemical semi-manufacturers	7,5%
Other goods	4,4%	Raw materials	4,3%
Raw materials	2,7%	Durable consumer goods	2,5%
Durable consumer goods	1,7%	Other goods	0,7%

Table IV. Source: Ministry of Economics

Exportations		Importations	
Country	%	Country	%
France	19,3 %	Germany	15,0 %
Germany	11,4 %	France	14,5 %
Portugal	9,4 %	Italy	8,5 %
United Kingdom	8,5 %	United Kingdom	5,8 %
Italy	8,4 %	Netherland	4,9 %
United States	4,0 %	China	4,3 %
Netherland	3,1 %	Belgium	3,7 %
Belgium	2,8 %	Portugal	3,3 %
Others	33,1 %	Others	40,0 %

Table V. Source: INE 2009

3.3.1. Foreign investment and exchange control regulations



At this point we will try the main aspects of the exchange control laws and regulations on foreign investment, although liberalization is the dominant note in these matters, there are certain requirements of communication. As a general rule, foreign investments are only subject to notification once the investment has been made.

Exchange control and capital movements are completely liberalized in Spain, there is complete freedom of action in all areas in this field.

Foreign investment

a. Regulation

Although most of these types of operations are liberalized, the most noteworthy aspects of the applicable regulations are currently as follows:

- Foreign investments are subject, as a general rule, to his statement once materialized investment. As well as safe express standard in the opposite direction, foreign investments should not formalize before Spanish public notary.
- The only exceptions are those relating to investment from tax havens, which are subject to prior declaration; and foreign investments in activities directly related to national defence and the investment in real estate by States not members of the European Union for their diplomatic headquarters.
- Although foreign investment in the sectors of air transport, radio, mineral raw materials of strategic interest and mining rights, television, game, telecommunications, private security, manufacturing, marketing or distribution of weapons and explosives shall comply with the requirements of the competent bodies established in the specific sectorial legislation.

b. Investors

Investor could be:

- Non-resident individual.
- Legal persons domiciled abroad.
- Public entities of foreign sovereignty.

Not considered investor:

- Spanish society which is owned largely by foreign capital.
- Change of registered office for legal persons or the transfer of residence of individuals will determine the change in qualification of an investment as Spanish abroad or foreign in Spain.

c. The investment

Foreign investments in Spain may be carried out through any of the following operations²:

² Foreign investments not included in the previous relationship (for example the participatory loans) are completely liberalized, without the need for any communication on the matter. This is without prejudice

- Participation in Spanish companies, including its Constitution and the subscription and acquisition of shares or assumption of participation certificates.
- The constitution and expansion of the staffing branch.
- Subscription and acquisition of marketable securities from loans issued by residents.
- Participation in investment funds registered in the records of the National Commission of the market of stock.
- The acquisition by non-residents of real estate websites in Spain whose amount exceeds 3.005.060 euros, or where the investment appropriate tax havens, regardless of its amount.
- And the constitution, formalization or participation in contracts of accounts in participation, foundations, economic interest groupings, cooperative and joint property, with the same characteristics of the previous point.

d. Declaration of foreign investment

As a general rule, all foreign investments mentioned in the preceding paragraph and therefore must be declared subsequently to the registration of investments of the Ministry of economy and competitiveness. There are some exceptions as to investment from tax havens which must be declared before and after the investment.

It is the investor who usually must make the Declaration and, in addition, the Spanish public attester which had intervened in the operation. Exceptionally, when investment materialized in certain assets (securities, investment funds, shares), the obligation of declaration you can lie with other subjects involved in the transaction as credit institutions, financial or investment subject to Spanish society.

Exchange control

Exchange control and capital movements are also liberalised where applies the principle of freedom of action. It is a material developed in the law on the movement of capital and foreign transactions and on prevention of money laundering.

a. Regulation

By general rule, all acts, business transactions and transactions between residents and non-residents which involve or may involve payments to abroad or collections from the outside,

to the sectorial rules which could be of application and the provisions of the rules concerning control of changes arising from such investments.

they are completely liberalized, including payments or collections (direct or by compensation), transfers and variations in accounts or financial debtor or creditor positions facing the outside. There is also the import and export of means of payment.

In order to maintain fiscal and statistical control of monetary flows, there are certain formalities for the realization of the collections and payments abroad. Currently, there are the following:

- Charges, payments and transfers between residents and non-residents, must generally be made through deposit (usually banks) entities registered in the official register of the Bank of Spain, to which the resident must provide certain information and, specifically, a description of the transaction that originates the payment, collection or transfer.
- Movements of credit and debit of accounts that maintain foreign residents must be communicated to the Bank of Spain if they exceed a certain amount or at the specific request of the same.
- Payments and receipts between residents and non-residents can be made, in Spain or abroad, and must be declared by the part resident within the period of 30 days, if the amount exceeds in general the amount of 6,000 euros.
- Non-residents wishing to make transfers to accounts opened in Spain by non-residents, through the delivery of banknotes or bank or checks to the carrier, or transfer abroad, must prove the origin of such funds.
- In addition, non-residents are forced to justify the origin of the funds used to purchase bank cheques, payment orders and other instruments, both in euros and in foreign currency, in a registered entity, or to make buying and selling of banknotes against other tickets at authorized currency exchange establishments.

Exceptionally, the Ministry of Economy and competitiveness may, through enactment of the relevant legislation, require verification or declaration prior to payments, payments or transfers of the or abroad arising from transactions to be determined.

b. Declaration of transactions to the Bank of Spain

Residents carrying out acts, business, or foreign transactions must declare them to the Bank of Spain in the following cases:

- Financing and postponement of payments and collections over a year, carried out between residents and non-residents and commercial operations or the provision of services.
- Compensation of credits and debts between residents and non-residents, commercial operations or services.
- Compensation of credits and debts arising from operations of intermediation in financial markets, carried out by entities of intermediation.
- Financial loans granted by non-residents to residents or vice versa. Securities such as bonds, notes, etc., non-negotiable in secondary markets organized, are considered also as financial loans granted by non-residents.

The declaration of loans and financial loans granted by non-residents to residents (prior to the first provision of funds for the loan or credit granted) obtained by the borrower resident in a matter of a number of financial transaction (NOF) when their amount is equal to or greater than 3,000,000 euros, not being necessary to make any statement to lower amounts.

c. Importation and exportation of payment means and movement by country

In the field of the prevention of money laundering is established that the export of coins, bank notes and cheques to the carrier, encrypted in euros or foreign currency, although liberalized, is subject to administrative prior declaration information, only if the amount is greater than 10,000 euros per person and per trip.

The movements on national territory of means of payment consist of coins, bank notes and cheques to carrier, including electronic, designed to be used as a means of payment, by amount equal to or greater than € 100,000 must also be object of prior declaration.

d. Bank accounts

Non-resident legal and physical persons can maintain bank accounts in the same conditions as residents. The only requirement that is required to open a bank account is the accreditation of non-resident of the holder of the same condition. The legislation also provides for other formalities of a minor nature. On the other hand, residents can, open and maintain bank accounts freely abroad whose opening must be declared to the Bank of Spain.

4. Modus operandi in Spain



Once the foreign investor has decided to operate or invest in Spain, there are several alternatives:

- Formation of a Spanish company with its own legal personality (an S.A. or any other company).
- Opening of a branch or a permanent establishment, lacking these figures of its own legal personality so its activity and its legal responsibility will always be directly related to the parent company of the foreign investor.
- Association with other entrepreneurs already established in Spain. They are the so-called joint venture which allow combining resources and expertise and share the risks. There are different types:
 - o Economic interest grouping (A.I.E.) and European economic interest grouping (E.E.I.G.).
 - o Companies Temporary Union (U.T.E.).
 - o Joint ventures through anonymous or limited companies.

However, it is not necessary to invest in Spain constitute a new entity or associated with other already existing entities. The various alternatives in this regard are as follows:

- Conclusion of a distribution agreement.
- Realization of operations through an agent.
- Realization of operations through a broker.
- Establishment of a franchise.

4.1. Foreigners identity number and tax ID number

The Spanish regulation sets that nowadays all those natural or legal persons with economic or professional interests in Spain must equip itself with a VAT (in the case of legal entities) or N.I.E. (natural persons). In particular, and among other cases, N.I.F. /N.I.E. should be requested if a foreign investor make a direct investment in Spain or we find ourselves before a partner or Manager of an entity resident in Spain or a permanent establishment situated in Spain of a foreign entity.

4.2. Company formation

The most common corporate forms provided for by the Spanish mercantile legislation are the public limited company (S.A.) and the limited liability company (S.L.).

The constitution procedures and expenditures incurred are similar in both social types. Table VII describes the ordinary formalities for a corporation and which would be equally applicable to a limited partnership.

Although there are many legal ways for the creation of companies in Spain, the most common are the two listed above. Below is the comparative table of them all:

PERSONALITY	FORM	PARTERS	CAPITAL	RESPONSABILITY
NATURAL PERSONS	Individual entrepreneur	1	Not legal minimum	Unlimited
	Community property	Minimum 2	Not legal minimum	Unlimited
	Civil society	Minimum 2	Not legal minimum	Unlimited

PERSONALITY	FORM	PARTNERS	CAPITAL	RESPONSABILITY	
LEGAL PERSONS	Mercantile societies	Partnership	Minimum 2	Not legal minimum	Unlimited
		Limited liability company	Minimum 1	Minimum 3.000€	Limited to capital
		New limited partnership Company	Maximum 5	3.000€ - 12.000€	Limited to capital
		Public limited company	Minimum 1	Minimum 60.000€	Limited to capital
		Shares partnership company	Minimum 2	Minimum 60.000€	Partners: unlimited. Sleeping partners: limited
		Simple partnership company	Minimum 2	Not legal minimum	Partners: unlimited. Sleeping partners: limited
	Special mercantile societies	Labour company	Minimum 3	Minimum 60.000 € (SAL) Minimum 3.000 € (SLL)	Limited to capital
		Cooperative Company	Minimum 3	Minimum by law	Limited to capital
		Economic interest grouping	Minimum 2	Not legal minimum	Limited to capital
		Investment society		Minimum by law	limited

Table VI. Table corporate forms from Spanish mercantile legislation.

a. Procedures

The example that follows is the constitution of a public limited company by means of monetary contributions, although they would be equally applicable to a limited partnership.

The formal act of constitution is held before a notary that grants the respective public deed of Constitution. The share capital must be subscribed in its entirety, and must spend at least by

25% at the time of the Constitution; the remaining 75% must be disbursed within the period laid down in the statutes, although this last feature is only typical of corporations.

The minimum share capital required is 60,000 euros (Conversely, in the case of the SL is only 3,000 euros, amount which must be paid in full at the time of the Constitution).

The basic requirements to constitute a corporation are as follows:

- Emission by the Central Register of a certificate of designation for the new company reserve.
- Obtaining the temporary VAT of the new society, the granting of the deed of incorporation and registration of the society in the corresponding register.
- Act manifestations of the real owner of the partner or partners in the new company. Prior to the Act of Constitution of the society, the Act of manifestations of the real owner of the partner or partners of the new society.
- Granting the public deed of incorporation of the society before a notary.
- Presentation of the tax on heritage (I TP), although in this case the incorporation of companies is exempt from the payment of capital transfer and stamp tax.
- Registration in the commercial register.
- Subsequent statement of the investment to the D.G.C.I.
- Main census procedures for tax purposes: the presentation of a model is required to provide in various taxes, in particular:
 - o Admission for the purposes of the tax on economic activities.
 - o Admission to the Valued Added Tax (IVA or VAT)
 - o Obtaining the license of opening to the corresponding City Hall.
 - o Admission to the Social Security and accidents insurance. Admission of the employees in Social security insurance.
- Compliance of certain formalities before the Provincial delegation of the Ministry of employment and Social Security.

Now there is a table included with the main steps needed to constitute a public limited company by means of monetary contributions:

PROCEDURES LIMITED COMPANY CONSTITUTION

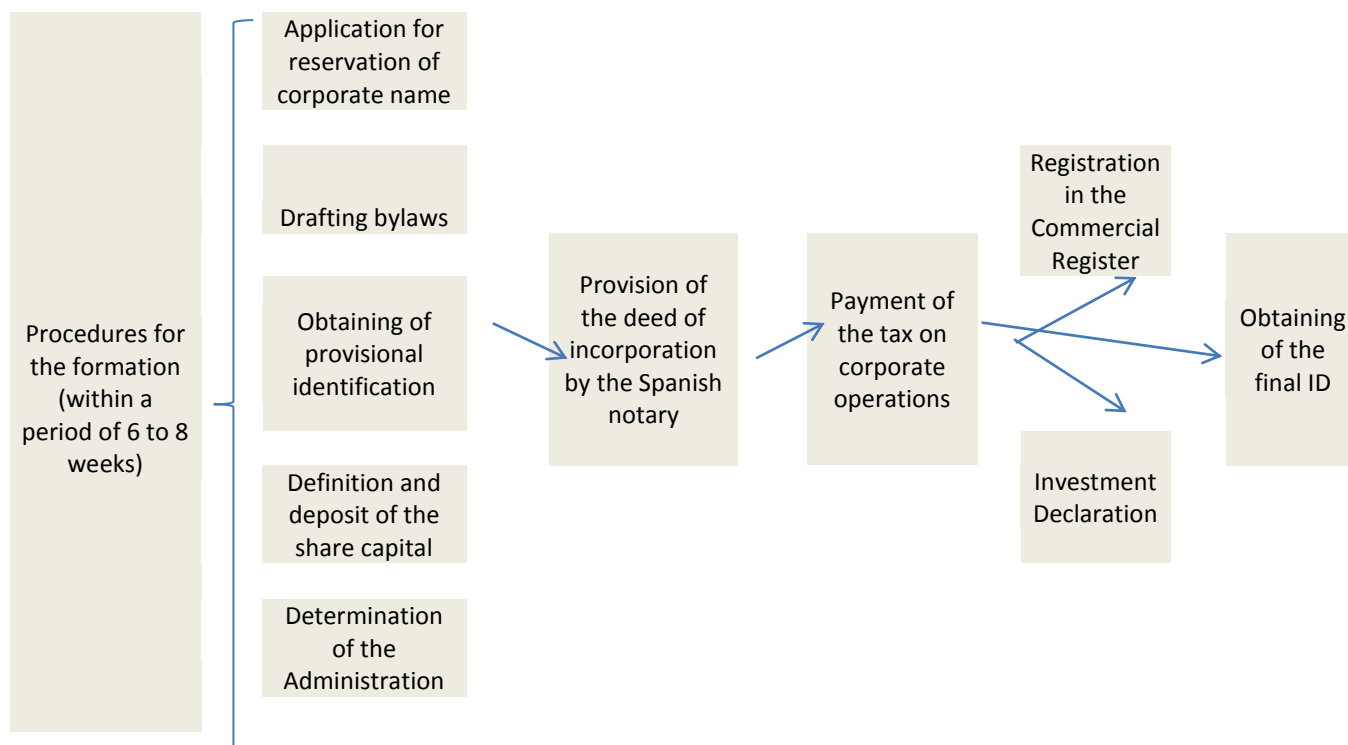


Table VII. Procedure to form a company under the Spanish legislation.

4.3. Purchase of a company already incorporated

To obtain shares. Legal procedures

- The transmission of social units of a limited partnership must be in any case operated by a public attester. Transmission of shares of joint-stock companies, the obligation of notary public intervention will be needed in those cases in which the Spanish regulations required by or when the parties have so agreed.
- With prior to the transmission of social interests or actions before notary public act of manifestations of the real owner of the transferor and the transferee should be granted before a notary.
- Subsequent declaration of investment before the D.G.C.I. (in some cases, it will be necessary to introduce prior declaration, (see paragraph 3.4.1. point for more information).)
- Payment of the Tax on Heritage and Documented Legal Acts.

4.4. Acquisition of real states in Spain. Legal procedures

As a general rule, must be raised to public deed of the sale. As well as this acquisition should be formalized before a Spanish notary or a Spanish consul abroad.

Prior to the transfer of the property, the act of manifestations of the real owner of the transferor and the transferee should be granted before a notary.

Also, you must pay the Tax on Heritages and Documented Legal Acts (ITP and AJD) in its modality of Onerous Heritages or of the VAT and the Documented Legal Acts Tax.

If the seller is a natural or legal person who is not an entrepreneur or professional in the exercise of its activity it shall apply, in General, ITP and AJD in the form of taxable capital transfer, typically 7% (notwithstanding that the communities and autonomous cities have the power to modify the types). (See section 6.1.7).

If the seller is a businessman or professional in the exercise of its activity, the following can occur:

- Transmission of building land (or in course of urbanization) and first delivery of buildings: VAT 21% (10% if the building for housing) more tax stamp, taxed generally 1%. This type can be modified by the autonomous communities.
- Transmission of rural land (not building or in course of urbanization) and second or subsequent deliveries of buildings: ITP and AJD or V.A.T. In this case the super-reduced rate of the Value Added Tax of 4% to deliveries of homes, including the parking lots, with a maximum of two units, and annexes in them located which are transmitted together with the same shall apply.

4.5. Establishment of a branch office



In general terms, requirements, formal procedures and costs in connection with the opening of a branch office in Spain of a foreign company are very similar to the constitution of a subsidiary. The legal steps, highlighting the main differences with respect to the constitution of a subsidiary are summarized as follows.

Legal Procedure

- Opening of branch public deed granting Spanish notary. This procedure is to formalize publicly notarised agreement of opening the branch adopted previously by the competent body of the foreign parent company.
- Obtaining the identification number N.I.F, which we have already discussed this earlier.
- Appointment of a natural or legal person resident in Spain, to represent it to the parent company before the Spanish tax administration.
- Presentation of the ITP and AJD by contributions if the entity that operates through subsidiary has its registered office in countries not belonging to the European Union.
- Registration in the commercial register.
- Subsequent to the D.G.C.I. statement.
- Admission of the branch for the purposes of the Tax on Economic Activities and the Value Added Tax.

- Opening license fee.
- Admission on the Social Security.

The branch to the subsidiary

From the legal point of view, the most important differences between a branch and a subsidiary are as follows:

- Minimum capital, a branch does not require any minimum assignment instead the subsidiary depends on the legal form in which it is lodged, see table VI in point 4.2.
- The subsidiary is a separate legal entity while the branch does not have its own legal personality.
- The liability of the shareholders of a subsidiary incorporated as S.A. (or SL) with regard to the debts of the subsidiary is limited to the amount of their capital contributions. In the case of a branch, there is no limit to the liability of the parent company.

From the fiscal point of view, both the branch office and the subsidiary are taxed, in general terms, (the subsidiary) corporate income tax or the tax on the income of non-residents (Branch Office) to 30% of net profit.

However, there are certain aspects to take into account, including the following:

- The repatriation of the benefits of a branch or the distribution of dividends from a subsidiary to its parent company does not belong to the EU and that it does not reside in a country with which there is an agreement to avoid double taxation, is taxed in Spain at a rate of 19%. If the House or parent company is resident in the EU, the repatriation/cast is normally exempt from taxation. If the parent company is resident in a country not belonging to the EU with which Spain has entered into an agreement, the dividends would be taxed at the reduced rate of the Convention and the repatriation of the profits of the branch tax not in Spain, according to most of the conventions.
- La repatriación de los beneficios de una sucursal o el reparto de dividendos de una filial a su sociedad matriz no perteneciente a la UE y que no resida en un país con el cual exista un convenio para evitar la doble imposición, se grava en España a un tipo del 19%; si la casa o sociedad matriz es residente en la UE, la repatriación/reparto está normalmente exento de tributación. Si la sociedad/casa matriz es residente en un país

no perteneciente a la UE con el cual España tenga suscrito un convenio, los dividendos tributarían al tipo reducido del convenio y la repatriación de los beneficios de la sucursal no tributaría en España, de acuerdo con la mayoría de los convenios.

- All branch, in general, constitute a permanent establishment. However, not only there is a permanent establishment when there is a branch office. To identify whether we are or not before a permanent establishment, we must consider, first, the existence or not of a Convention on double taxation with the country of residence of the person concerned.
- If there is agreement between the country of residence of the taxpayer and Spain, must be the definition containing permanent establishment therein. If there is no applicable double taxation Convention, it must be to the delimitation that permanent establishment carries out the Spanish domestic law.
- Participation in the general expenses of the matrix. In practice, it is usually easier to these imputed expenditures are considered deductible in the case of a branch, a subsidiary.
- The interests of the loans granted by a foreign parent to its Spanish subsidiary are not, in principle, deductible fiscally for the branch. On the other hand, the interests on loans granted by the shareholders of a subsidiary usually are deductible for the subsidiary.

4.6 Joint Venture and business cooperation

One of the most common forms of business cooperation is the joint venture. The Spanish system collects different types of joint venture that allow operations between one or more parties:

a. Companies of Temporary Unions (U.T.E.s)

According to Spanish law, the U.T.E.s are systems of collaboration among business people for some time, for the development or execution of a work or service. This form of partnership is very common in great works of engineering and construction, which does not imply that cannot be used in other business sectors.

The U.T.E.s are not societies themselves and lack legal personality. Even so, should formalize in writing and registered in the special register of U.T.E.s, and must comply with the relevant

accounting requirements and possession of books, similar to those required for Spanish companies.

b. Economic Interested Agrupations (A.I.E.S)



The constitution of A.I.E.S aims to facilitate or improve the results of the activity of its members. The A.I.E.S may not act on behalf of their members or replace them in their operations. Therefore, the A.I.E.S is commonly used for the provision of services such as shopping or centralized sales, centralized management of information or administrative services, etc., within the context of a broader Association or a group of companies. The A.I.E.S are commercial entities that have legal personality. Spanish legislation establishes certain requirements for the constitution of the A.I.E.S.

They should be formalised in a public deed and register at the competent trade register. The A.I.E. partners will respond personal and solidarity among themselves by debts of that. The liability of the members is a subsidiary of the A.I.E. The principal obligation of the partners consists of contribute to the capital of the A.I.E. in the agreed form and participate in expenses.

As for the European Group of economic interest (E.E.I.G.), also has legal personality, enjoying regulated characteristics by the regulation community 2137/85, containing the basic rules applicable to the A.E.I.E.s.

c. Participation Accounts (C.E.P.)

It consists on a financial contribution pursuant to which one or more entrepreneurs are interested in the operations of another, helping them with the part of the capital which agree, and becoming part of their results in the proportion determined.

The monetary contributions or not, do not have character of contributions to capital, representing only the birth of a right in favour of the participant account manager does not

participate in the results of the activity in question. For this reason, not managers investors are shareholders of the management company.

Pursuant to the commercial code, this type of arrangement does not require any solemnity (public deed or registration in the commercial register), although in practice, both parties tend to reflect it in a public deed for the purpose of testing before third parties.

d. Joint ventures through public limited companies or limited liability companies

Use a significant number of joint ventures as a vehicle societies anonymous and limited by what previously we have already mentioned everything related to main characteristics, Constitution and particularities of anonymous and limited societies. (See paragraph 4.2. of company formation).

4.7 Distribution contracts, agency contracts, commission and franchise

a. Distribution contract

Distribution agreements constitute an interesting alternative to the Constitution of a society or a branch or to the realization of commercial partnerships with existing entrepreneurs given the low initial investment required. Due to its frequency, there are numerous types of existing distribution arrangements. Many of them, as a consequence of the lack of a specific regulation, permit parties greater freedom in terms of its content.

The distribution agreement, a party undertakes to purchase for subsequent resale products of the other Contracting Party.

Dealers appear as legal entities that are an integral part of the company's commercial network, without belonging to it.

It is important to distinguish three broad categories, corresponding to the distribution system:

- *Commercial concession or exclusive distribution*

The supplier not only undertakes to not deliver their products rather than a single distributor in a given territory, but also to not sell himself these products in the territory.

- *Unique distribution agreement*

The only difference with exclusive distribution is that in the case of the unique distribution provider reserves the right to supply the products object of the agreement to the users of the territory concerned.

- *Distribution contract authorized in the selective distribution system*

The type of distribution that is used in these two cases is selective distribution, so called because the dealers are carefully selected according to their capacity for technically complex products or for the maintenance of an image or a brand.

On the tax treatment of the distribution agreements, not established in Spain and non-resident manufacturers will have a business benefit in Spain by selling their goods to resident dealers, performance that is exempt from taxation in our country.

b. Agency contract

By the agency contract a person or legal entity, known as agent, undertakes against another continuous or stable way, in return for payment, to promote acts or self-employed trade operations, or to promote them and conclude them on own and alien name, as an independent intermediary, without assuming the risk and ventura of such operations.

The agent is an independent intermediary, acting on behalf and for the account of one or more employers. It is the agent obligation to negotiate, and if this contract provided it, conclude agreements or commercial operations which had in his charge on behalf of the employer.

The agent is authorized to negotiate agreements or transactions contained in his contract but can only conclude them on behalf of the employer on whose behalf it acts when you have been expressly authorized to do so. Any agent can act on behalf of several entrepreneurs wherever with respect to goods or services which are not identical or similar since, in that case, consent is required.

One of the essentials of the agency contract is that the work of the agent must be always remunerated.

About the tax treatment, the key is to determine if the commercial agent is or not a permanent establishment in Spain's principal, depending on, basically, if the agent has powers to bind the principal.

c. Contract of Commission

It is the mandate under which the representative (agent) undertakes to perform or participate in an act or commercial contract on behalf of another person (customer). The agent can act:

Es el mandato en virtud del cual el mandatario (comisionista) se obliga a realizar o participa en un acto o contrato mercantil por cuenta de otra persona (comitente). El comisionista puede actuar:

- On its own behalf, i.e., being he who acquires rights against third parties with whom contracts and vice versa.
- On behalf of the client, who acquires rights against third parties and these against it.

The customer is obligated to satisfy a commission and to respect the rights of retention and preference of the agent. The credits of the agent to the customer are protected through the right of retention on the goods.

In transactions through agents, if the client is non-resident and not established in Spain, this gets a business benefit in Spain that is exempt.

The main similarity between the agency contract and the contract of Commission is that, in both cases, a physical or legal person undertakes to pay an amount to conclude the possibility of concluding a legal transaction with a third party or to act as his intermediary in the conclusion of this transaction to another.

The main difference between the two contracts is that the agency contract implies a relationship continuing or stable, while the Commission consists of a casual commitment.

d. Franchise

Franchising is a system of marketing of products and/or services and/or technology based on a close and continuous collaboration between independent enterprises. In franchising, the franchisor gives their individual franchisees, for a given market, the law, and imposes the obligation to keep a business or commercial activity the first come previously developed with sufficient experience and success, in accordance with the concept and the system defined by the franchisor.

This right allows and obliges the franchisee, in exchange for an economic consideration directly, indirectly, or both, to use the trade name or mark of products and/or services, know-how and technical methods and business, which should be own, substantial and singular, procedures, and other rights of industrial or intellectual property of the franchisor, within the framework and for the duration of a franchise contract agreed between the parties to that effect.

In Spain there is an obligation to enrol in a registry of franchisors of public and administrative nature that organically under the Ministry of Economy and Competitiveness.

So it refers to the different types of franchise contracts, it should be noted the following: industrial franchise (manufacture of products), the franchise of distribution (sale of products) and services franchise (it refers to the provision of services).

Among the advantages offered by a franchise contract these agreements create quickly a uniform distribution through investments limited network. It also allows independent merchants can establish facilities more quickly and with more chance of success than if they had to do it on their own without the experience and help of the franchisor.

Finally, in relation to the taxation of franchise agreements, the nature of the payment made by the franchisee to the franchisor should be carefully analyzed, since it can be considered as a canon and a business performance, or only as a barrel, depending on the different services provided and rights granted.

According to experts the franchise has had in Spain a spectacular growth in recent years, can we talk of a franchise system that is already consolidated.

5. Resolution of arguments

Judicial Procedures



The State is organised territorially, effects judicial, in municipalities, parties, provinces and autonomous regions, where the peace courts, the courts of first instance and instruction, the courts of commercial, criminal courts, the Court of the contentious-administrative, Social, the hearings provincial courts and the high courts of Justice, have jurisdiction.

The National Audience (the latter only in relation to specific subjects) and the Supreme Court have jurisdiction over the entire country. The first is the highest judicial authority with the sole exception of the guarantee of the constitutional rights, whose preservation is up to the Constitutional Court.

Although the Spanish procedural system must be regarded as a continental legal system, some elements of the Civil procedure law are close to the Anglo-Saxon system. It is the case of the prevalence of oral proceedings. The law of Civil procedure reduces the Formalisms and promotes more expeditious procedures as well as a more rapid and efficient response from the judges and courts.

Spain has ratified numerous bilateral and multilateral treaties on the recognition and enforcement of foreign judgments.

5.1. The arbitration



Arbitration, together with the mediation which we will explain below, is shaping up more and more as a real alternative for the settlement of trade disputes. Companies, aware of the faster, efficiency and flexibility of arbitration compared to the demands in court, are increasingly more willing to submit to arbitration. In addition, the Spanish law shows increasingly more favourable to arbitration, both in regards to the arbitration as to the execution of the arbitral agreement.

The arbitration allows both individuals and companies sign agreements to submit disputes which have arisen or may arise in matters of free disposition in accordance with law to one or more arbitrators.

The Arbitration Law empowers the arbitrators to grant measures precautionary. The jurisdiction of judges and arbitrators to dictate measures precautionary is concurrent, allowing parties to submit his claim for action precautionary indistinctly to the competent judge or the arbitral tribunal.

In accordance with the Arbitration Law, the execution of the arbitral award rendered in Spain is possible even when it has exercised the action for annulment of the same. In this case, a court can only suspend the enforcement of the arbitral award when the executed offer bond

for the value of the condemnation contained in the award most damages which may arise from the delay in the execution of the same.

The accession of Spain to an arbitration scheme inspired by the UNCITRAL Model Law on international commercial arbitration makes international arbitration in Spain more accessible to lawyers in different jurisdictions and their customers. The Arbitration Law contributes to make Spain an ideal seat of international arbitrations, especially when they involve American interests, thanks to its proper location in the South of Europe, its competitive costs compared to other European venues and cultural and linguistic ties with Latin America.

5.2. The mediation

Mediation is a method to resolve conflicts that has nothing to do with arbitration, (even if two concepts are often confused). In this scenario there is a conflict, two (or more) parts, and a third party whose task is not to decide or offer a solution but to facilitate communication and the process of negotiation between the parties so that they reach an agreement satisfactory to both.

It is therefore a method to speed up negotiations between the parties and not a litigious process (judicial or arbitration). Its most significant features are:

- a) Control by the parties: are the parts that control the procedure of mediation, to such an extent that if one is not comfortable with how it is structured, or how you are developing, you can end mediation without consequences.
- b) Designation: are the parties that appoint or accept the mediator, but by not having this decision-making ability some (in contrast to judges and arbitrators), your choice is less controversial than in arbitration.
- c) Speed: mediation is designed to resolve the conflict quickly, usually in a few sessions.
- d) Enforceability: an agreement between the parties reached in mediation will take executive actions if it rises into public deed, although in practice, agreements reached voluntarily, the level of voluntary compliance is much greater.
- e) Costs: being a procedure so fast, the costs of mediation versus a trial or arbitration are much lower.

f) Does not prevent recourse to arbitration or litigation: the initiation of a mediation does not imply that it may not resort to arbitration or litigation if an agreement is not reached. After the mediation without agreement, parties are free to take the actions deemed appropriate in the best protection of their rights.

g) Professional secrecy: should be pointed out that the standard grants nature of professional secrecy to the work of the mediator, which aims to protect all the information that the parties decide to impart to the mediator during mediation.

6. Spanish Tax System



The Spanish tax system is modern and competitive, as evidenced by the fact that the tax burden is five points below the countries of our surroundings and the small number of existing taxes.

The Spanish tax system comprises three types of taxes: taxes, fees and special contributions. Rates and special contributions are quantitatively much lower taxes and required in return for the provision of services or utilities obtained as a result of the implementation of works or public services.

On the other hand, and although at territorial level in Spain, there are three levels of taxation (State, regional and local), this chapter focuses on the taxes established by the State, including the managed and collected by local and regional authorities, although, given its importance, it includes some reference to special regimes existing in Canary Islands, Basque country and Navarra.

6.1. State taxes (special scheme for the autonomous communities)

The Spanish State taxes can be classified in the following way:

Direct taxes:

- Income:
 - Corporate Tax (IS)
 - Personal Income Tax (IRPF).
 - Tax on income of non-residents (IRNR).

- Patrimonial assets (only natural persons):
 - Tax on heritage (IP).
 - Tax on inheritance and donations (ISD).

Indirect taxes:

- Tax on the Value Added (VAT or IVA)
- Tax on Capital Transfers and Documented Legal Acts (ITP and AJD).
- Special Taxes.
- Custom Duties on imports.
- Tax on insurance premiums.

6.1.1. Corporate Tax

Corporate Tax is a periodic, personal, direct and proportional tax. It taxes the income of corporations and other legal entities. It is governed by Royal Legislative Decree 4/2004, which approves the revised text of the law of corporation tax; and by the Royal Decree 1777 / 2004, which approves the regulation of the tax.

It applies throughout the Spanish territory, with the exception of the Basque country and Navarra, which have fiscal autonomy. In Spain is of 30% for large firms and of 25% for small and medium-sized enterprises.

The tax is the obtaining of income by certain taxable persons (legal persons and other entities without personality). Accounting profit determined by the commercial law refers to income.

Occasionally, certain amounts which have not reflected in accounting are considered as income and are therefore subjected to corporation tax assessment. It is the case, for example, temporary unions of companies and entities subject to the system of fiscal transparency international.

The subject to the tax is determinate by the residence in Spanish territory. Resident in Spanish territory shall be entities in which if any of the following requirements:

- That it had been in accordance with the laws of Spain.
- Have their registered office in Spanish territory.
- Have the place of effective management in Spanish territory.

For these purposes, means that an entity has its place of effective management in Spanish territory when the aforesaid the direction and control of all their activities.

Specifically, all sorts of entities, any that is its form or denomination, provided that they have legal personality, except the civil societies are subject to corporate income tax. They include, among others:

- The corporations
- The state, regional, provincial and local societies.
- The cooperative societies and agrarian societies in transformation.
- The one-person companies.
- The economic interest groupings.
- The European economic interest groupings.
- The associations, foundations and institutions of all kinds, both public and private.

In addition, the following entities, devoid of legal personality:

- The investment funds and the assets of money market mutual funds and real estate investment funds.
- The temporary unions of companies.
- The venture capital funds.
- The pension funds.
- The Fund's regulation of the mortgage market.
- The mortgage securitization and asset funds.
- The guarantee of investment funds.

Exempt entities

There are a number of exceptions that allow certain entities, in certain cases, not file the tax return. This would happen in the following cases:

- Entities that are considered to be wholly exempt pursuant to the contents of article 9.1 of the Law of the Corporate Tax.
- Holding communities in common neighbourhood, but only for those periods which have not had income subjected to the IS, have not had any kind of expenses, as well as have not made investments with right to the reduction that applies specifically to these payers.

Partially exempt entities

Entities without profit and tax incentives to patronage, entities and non-profit institutions will be partially exempt from the IS. As well as unions, federations and confederations of cooperatives; professional associations and unions of workers; etc.) (art. 9.3 LIS). In addition, the Law of Corporate Tax sets exemptions that cater to the nature of the revenue gained.

The allocation of income and expenses in one or another tax period is made according to the applicable accrual principle, so that revenues and expenses are charged to the tax period in which are accrued.

The declaration will be submitted within the period of 25 calendar days following six months after the conclusion of the tax period (closing of the fiscal year). See link referenced for more information³.

³http://www.agenciatributaria.es/static_files/AEAT/DIT/Contenidos_Publicos/CAT/AYUWEB/Biblioteca_Virtual/Ma_nuales_practicos/Sociedades/Manual_Sociedades_2012.pdf

6.1.2. Income Tax (IRPF)

The Income Tax or IRPF is a personal, progressive and direct tax which taxes the income obtained in a calendar year by natural persons resident in Spain.

In Spain the IRPF has a great relevance quantitative and revenue. The IRPF reflects the principles of progressiveness, generality and economic capacity.

The tax legislation will be law 35/2006 of 28 November, the Personal Income Tax, as well as its corresponding regulations, approved by the Royal Decree 439/2007, of 30 March, which approves the regulation of the IRPF.

Said currently tax is partially ceded to the autonomous communities: quantitative elements and above all exemptions.

Taxable Transactions

Taxable income is the obtaining of income by a resident natural person in Spain over the course of a given tax period. The legislator expected yields of labour, capital and economic activities, as well as earnings and economic losses and allegations of income which may establish the law as sources of income. Incomes that are subject to inheritance and gift tax are not subject to IRPF.

Taxable person

The taxable person's tax, or taxpayers, is a natural person who has his habitual residence in Spanish territory and also those who have their habitual residence abroad by any of the following circumstances: diplomatic mission, consular offices and institutes abroad.

The rules to be considered resident are:

The general approach is physical to stay in Spain for more than 183 days in a calendar year. Temporary absences outside the national territory are not taken into account. The absence out of Spain to have efficacy, the taxpayer must act providing a certificate of residence from elsewhere, although it has no efficiency any residence certificate issued by any tax haven⁴.

⁴ *The tax haven ceases to be so when signed an agreement for the exchange of information on tax matters or an agreement to avoid double taxation with clause of exchange of information. Spain has recently signed agreements to avoid double taxation with the following countries and territories: Malta, United Arab Emirates, Jamaica, Trinidad and Tobago, Singapore and Luxembourg.*

The criterion of economic interests is a special criterion whereby the person who does not reside in Spain is considered resident when you have activities or economic interests with the core or base in Spain.

The criterion of vital interests is another special criterion that applies a presumption *iuris tantum* of residence in Spain if the non-separated spouse or minor children of the physical person resident in Spain.

System of Income Allocation

Income allocation system makes reference to the cases in that there is an obtaining of income by the physical person, who comes from an entity that is not subject to tax, well because it is a civil society, either by being an entity devoid of legal personality (e.g. a community of neighbours or a heritage lying). Corresponding to the aforementioned entities income will be attributed members who integrate them, so that the entity itself not taxed neither for the IRPF or the Corporate Tax.

To determine the income attributable to each of the members, the following rules shall apply:

- If all the members of the entity are tax payers, they will be taxed by this. If there is any physical person, he will be taxed for the IRPF.

Exemptions

The Corporate Tax sets a group of incomes who enjoy income tax exemption. The exemptions referred to collect cases of different character and nature. Sometimes they have a certain compensation nature and elsewhere are authentic tax incentives.

The exemptions are the following:

- Damages caused by personal injury liability.
- Compensation for dismissal or dismissal of the worker, free up to the amount which the Statute of workers set as mandatory.
- Provision of Social Security disability. However, only will be exonerated for cases of absolute or permanent disability.
- Relevant literary, artistic and scientific awards, will be necessary, that such prizes are delivered without any consideration, so that the entity granting is not have an equity sharing profited at the expense of the award-winning with the assignment or the limitation of the right of property.

Work Yields abroad

Yields of the work collected as a result of work actually performed abroad for a business or entity not resident in Spain, or a permanent establishment abroad-based shall be exempt. It is necessary, that it applies the exemption, that in the place where the mentioned works are completed there is an identical or analogous to Spanish income tax, and that the territory or country not yet qualified as a tax haven, proving the reality of the displacement, and that the beneficiary of the work is an entity or non-resident permanent establishment in Spain; in the case of related entities, there are additional requirements. Although there is a maximum limit of exemption is €60100 per year, which will not be compatible with the excluded excesses of taxation regime, being able to choose the taxpayer between one or the other depending on what suits their interests.

Tax base

Tax base is the monetary quantification of the taxable transactions. There are three stages to determine the taxable base.

To begin with, incomes will be described and quantified according to their origin, thus distinguishing between incomes from yield, income from earnings and economic losses, and imputed rents.

First, income may come from returns, well be labour, capital (furniture and real estate) or economic activities. To calculate the net yields, we will subtract the deductible expenses to the reckonable income. Such reckonable income obtained at the most by cases direct estimate, with the notable exception of the performance of economic activities, which also supported the simplified direct estimation and estimate objective (for indices, signs or modules). NET performance should apply the corresponding reductions, some reductions in the tax base trying to correct misguided escalation caused by the generation of multiannual or noticeably irregular income that are taxed in a unique annual accrual.

On the other hand, along with the yields mentioned, there is the category of earnings and equity losses, estimated by the difference of the values of acquisition and transmission of property and rights. Unlike in previous cases, this category is not strictly a source of income, but a variation of the assets of the taxable person.

We must also mention the inclusion of an additional category covering the four assumptions of imputed income, respectively, real estate income, in international fiscal transparency regime,

by assignment of image rights and those concerning holders in collective investment in tax havens.

Finally, we must highlight that he sets two kinds of income, depending on the origin of income. In this way, will be income of the savings that comes from certain types of income from capital, as well as earnings and economic losses arising as a result of the transmission of a heritage element. On the other hand, will be general income all that which is not considered income from savings.

Tax rates

Income tax tables are determining the percentage of our income that must be allocated to the payment of taxes. This figure depends on the revenues and serves as the basis for fiscal planning.

Income tax tables mark the sections to which taxed every taxpayer, i.e., the percentage of revenue that should be sent to finance payment of the income tax.

The Government is responsible for establishing income tax tables depending of which then will be on income tax withholding on the payroll. The last major tax reform established a supplemental income for 2012 and 2013 as part of measures to tackle the deficit and balancing the accounts of the State, this same is extended to the year 2013 and 2014.

In this way he spent six to seven sections, which are those that will be in effect in 2014. The following table (table VIII) express graphically the sections of the IRPF that we will see in 2013, if there is no change by the Executive.

SECTIONS IRPF YEAR 2014				
Tax Base		Types		
From	To	Retention	Additional	Total
- €	17.707 €	24%	0,75%	24,75%
17.707 €	33.007 €	28%	2%	30,00%
33.007 €	53.407 €	37%	3%	40,00%
53.407 €	120.000 €	43%	4%	47,00%
120.000 €	175.000 €	44%	5%	49,00%
175.000 €	300.000 €	45%	6%	51,00%
300.000 €	- €	45%	7%	52,00%

Table VIII. Sections of IRPF 2014. Source AEAT.

Also notice that there are a series of minimum exempt from pay that they even compute and are currently fixed in 5.151 euros that you will not be taxed in general. Starting from there, the personal situation of each taxpayer can increase these numbers. Article 81 of the Income Tax Regulation provides the minimum personal and relatives to apply and collect the following table (IX).

Taxpayer minimum	General	5.151 €
	More than 65 years	5.151 € + 918 €
	More than 75	5.151 € + 918 € + 1.122 €
Minimum by descendants (under 25 years of age and disabled)	1 st	1.836 €
	2 nd	2.040 €
	3 rd	3.672 €
	4th and followings	4.182 €
	Descendants under 3 years will increase the former in	2.244 €
Minimum by ascendants	Over 65 or disabled	918,00 €
	Over 75	918 € + 1.122 €

With these numbers, there is nothing better than an example for how to use tables of IRPF 2013. When a worker unmarried and without children win 30,000 euros, up to 17.707 euros would be taxed at 24.75% and the rest, 12.293 EUR, 30%.

You don't have to declare on IRPF if:

- You get an income from work less than 22,000 euros gross per year of a single payer.
- You get an income from work less than 11,200 euros gross of various payers.

You don't have to declare in the Income Tax for the following concepts:

- Capital yields subject to retention and that they have not passed 1,600 euros.
- Real estate income less than 1,000 euros gross.
- Dividends from shares for amounts lower than EUR 1500 per year.

Administration organizations of the IRPF in Spain

The organism of the Spanish Administration responsible for the management, inspection and collection of this tax is the “Agencia Estatal de la Administración Tributaria”, the tax administration agency. In the case of the Basque Country and Navarra, the Councils are in charge of its management, inspection and collection.

Autonomous communities obtain 50 per cent of its revenue, since it is a partially assigned tax. The autonomous communities have regulatory powers on this tax, which means that they can, among other faculties, modify part of the tax rate and set deductions on the fee. Thus by increasing the rate increase it is fundraising by the tax and setting deductions reduce it.

6.1.3. Tax on Income of non-residents

Natural persons and non-resident entities shall be regarded as the IRNR taxpayers to the extent that obtaining incomes in Spanish territory, as defined in the tax. In the event that the taxpayer is resident in a country with which Spain has signed agreement to avoid double taxation, it will have to be to what is available, since, in some cases, the tax is lower, and in others, pensions, if certain circumstances concur not may be taxed in Spain.

In these cases where incomes not can be taxed in Spain (exempted by Convention) or are taxed with a limit of taxation, the non-resident taxpayer must demonstrate that it is resident in the country with which Spain has signed the Convention, using the corresponding certificate of residence issued by the tax authorities in your country, which must be expressly stated that the taxpayer is resident within the meaning of the Convention.

For the IRNR, when incomes are obtained through a permanent establishment on Spanish territory, we find a newspaper tax, that is, as in the case of corporation tax, the tax period coincides with the financial year of the permanent establishment, unless it does not exceed 12 months, and is accrued the last day of that period. On the other hand, when incomes are obtained without a permanent establishment generally tax is accrued when it is payable.

Types of incomes

On income tax, you must declare all income obtained from any part of the world and deduct taxes paid abroad, to avoid double taxation. However, in the IRNR only declare incomes obtained in Spain and his country will have to declare everything.

Certain incomes are exempt to non-residents, some by internal legislation and others by implementation of the agreements signed between Spain and the other countries⁵.

Revenues generated by sales of assets and savings are taxed for non-residents at a fixed rate of 21%.

As for the rest of incomes, **the general rate of 24.75% applies**: for imputed income from properties that have in Spain, the incomes from work, scholarships or internships in Spanish companies, rent by giving lectures or courses, etc.

It is important to highlight that, yields of bank accounts by non-residents are exempt by our internal rules. So only they must sign a statement of fiscal residence, which provides them the own bank in several languages, but is valid for 2 years and they must go to renewing it.

6.1.4. Tax on Heritage (IP).

The tax on heritage is an annual accrual tax, directness and personal nature levied equity holders that were natural persons as of 31 December of each year.

Taxable, according to article 3 of law 19/1991, is the “ownership by the taxpayer at the time of the accrual of the net assets. Thus, the tax base is the value of the net worth of the taxable person, meaning equity property and rights with economic content set which is holder once is you subtract the value of the liens that borne by the goods, and the taxable person, as well as debts, or personal obligations that should respond.

The tax on heritage is given to the autonomous communities, so that they get the fundraising total, are responsible for its management and can adjust its exempt minimum, your rate and your deductions. Some like for example, the communities of Madrid and the Balearic Islands have established bonuses of 100% in the share of tax.

The most important innovations introduced include the following:

- Raises the amount of partial exemption of the residence for the purpose of the tax, to 300,000 euros.
- Sets a minimum exempt, in the event that the autonomous communities, where us given the tribute, not had established it, 700,000 euros.

⁵ In the Annex I (9.1) you will find the double taxation agreements with Spain.

- You are required to submit Declaration of taxable persons whose share tax, determined in accordance with the rules governing tax and once applied deductions or bonuses that are applicable, is to enter, or when, not realizing this circumstance, the value of its property or rights, determined in accordance with the regulations of the tax, is more than 2,000,000 euros.

6.1.5. Tax on inheritance and donations (ISD)

Inheritance and donation tax (ISD) is a tribute levied the income produced by the acceptance of an inheritance or a donation. These legal acts act as taxable in the tax.

Despite the fact that it is basically two different taxable, inheritance on the one hand and donations on the other hand, is considered a single tax figure which encompasses transmissions free of charge, mortis causes in the case of succession, and inter alive in the donation.

Thus, within the ISD, there are two large branches with an uneven but related regulation, and whose nexus is the free nature of the acquisition carried out the taxable person.

Inheritance tax

Direct tax (as it is on a direct and immediate manifestation of the economic capacity as it is the acquisition of goods and rights); staff, (as is stable in relation to a particular person); subjective, (since the subject's personal circumstances are taken into account); progressive, (because the tax rate will be higher the greater the taxable base: the 7.65% to 34%), and by last, instant, (since the taxable transactions occurs in isolation). It aims to patrimonial increases obtained by natural persons free of charge and mortis causes.

Donation tax

Direct, personal, subjective and progressive tax that aims to patrimonial increases "inter vivos" obtained by natural persons free of charge. If the patrimonial transmission were onerous, applicable tax figure would be taxable capital transfer tax.

In Spain, both figures are regulated in the law 29/1987, of 18 December, inheritance and donation tax.

State law sets how to calculate the taxable income of the tax. However, the calculation of the taxable base and the applicable rate depends on each specific region, since these can change reductions and the guys who set the State subsidiary. These powers may exercise them by delegation of the law 21/2001, of 27 December, which regulates the fiscal and administrative measures of the new system of financing of common regime autonomous communities and cities with statute of autonomy.

Inheritance tax is entered within a period of six months - can be extended other six - count since the death of the deceased occurs. Not be in this period, is lost the right to possible bonuses that has established the corresponding Autonomous Community, which will be that more time has the deceased resided in the five years prior to the day of the death. In particular, the Basque country and Navarra has been established own legislation that includes exemptions for some families by inheritance and donation. In general, the models used for the declarations are: the 650 model, which is the ordinary Declaration and 652 model, which is the simplified declaration, both for purchases mortis causes, a heritage. For purchases inter alive, as the donation, the model is used 651, facilitated by the Tax Agency.

The main consequence of such assignment is that the tax on inheritance and donations is not homogeneous for all the Spanish territory, but it varies depending on the place in which the taxable transactions occur. The tax rate has become the 34 or 36 per cent, without equivalent in Europe.

6.1.6. Tax on the Value Added (VAT)

Tax on the value added (VAT) in Spain is a tax that constitutes the basis of the Spanish system of indirect taxation. The fundamental law governing the tribute is the Law 37/1992.

The tax law classifies it as a tribute of indirect nature that falls on the consumer, as a manifestation of the economic capacity capable of assessment, and therefore, from an economic point of view, it is the consumer who supports the tax, although businessmen and professionals are the forced to enter tax fees.

Unlike what happens with other systems of indirect taxation, value added tax has a neutral towards business character, not assuming they either expenditure or income, insofar as the assets acquired in the production or distribution are employees in the process of production or marketing. Neutrality is broken when the final consumption of the goods.

The entrepreneur or professional is responsible for the correct application of tax mechanics of VAT, becoming a collector of the State, for the part of assessment corresponding to the generated value added in their production. It is accordingly obliged to self file the tax upon presentation of the corresponding quarterly or monthly statements.

The territory of application of the tax is extended to the Spanish Peninsular, the Balearic Islands and the islands adjacent to both territories. It does not apply in the Canary Islands and the autonomous cities of Ceuta and Melilla. In the Canary Islands applies a similar tax called “General Indirect Canary Tax” (GICT).

Taxable transactions

Deliveries of goods and supplies of services carried out by operator or professionals for consideration, on a regular or occasional basis are subject to the tax. To equalize the tax burden of all goods, also imports both countries of the European Union, in which case is called intra-Community acquisitions, as outsiders, referred to as import tax are subject to assessment.

Non-attachment and exemption

The law left out assessment certain operations, for different circumstances; among the most important are medical services, educational, cultural and sporting activities, but also financial and insurance operations.

According to article 20 of the above-mentioned law of the VAT 37/1992, of 28 December, we find these tax exemptions.

Passive Subject

The taxable person is usually the entrepreneur carrying out supplies of goods or service. This is also the obligation to file returns and payment.

There are four different types of passive subject:

-
1. The entrepreneur or professional that delivers goods or provides the service. The seller is obliged to affect the VAT to the customer.

2. The passive subject in the taxable intra-Community acquisitions of goods: here the taxable person shall be the employer located in Spain who purchases the good.
3. In the imports of goods: the taxpayer is the importer of the good. There is here never auto-impact since the importer will pay the VAT on the customs.
4. Services that are understood in Spain but that the service provider is located outside of Spain: in this case, the taxpayer will be that receive the service (the taxable investment assumption).

Tax Base

The tax base consists of the total amount of the consideration of the transactions that are subject to the same from the recipient or from third parties.

Types of Assessment

With effect from 01/09/2012 and indefinite validity, distinguishes three tax rates, according to the good or service in question:

- General type: 21%. It is the type that is applied by default when any of the other types is not applicable.
- Reduced rate: 10%. Applied basically to some food products and sanitary products, passenger transport, the majority of hospitality services and the construction of new housing.
- Super-reduced rate: 4%. Applies to first necessity items, such as vegetables, milk, bread, fruit, books, newspapers (and similar) and pharmaceutical specialities.

Deductions

The passive subjects for VAT fees earned by operations carried out in the interior of the country, as well as the supported and earned in the territory of application of the tax, will be deductible, provided the goods and services purchased are used in operations which gives the right to the same.

- By direct impact and services carried out by another passive subject.
- Imports.
- The intra-Community acquisitions.
- Acquisitions of investment of the taxpayer.

- Internal consumption.
- Deliveries of investment gold taxed by waiver of the exemption with the taxable investment.

In order to have right to deductions must meet certain requirements taxable persons wishing to opt for them, which are: professional business and have begun carrying out deliveries of goods or services subject to the activity.

However, it is important to note that there are certain limits to these deductions, such as deductions on the purchase of motor cars, trailers or mopeds, which according to RD 339/1990 are hypothesized subject to 50% of the activity, without prejudice to situations where they apply 100%.

Liquidation

The operating mechanism is as follows: the entrepreneur when he sold calculated and invoiced to customers (so-called sales tax) tax which corresponds to sales made by application of the rate corresponding to the product sold. When the entrepreneur will present his statement with quotas passed during the corresponding period, deduced from these the amount of taxes that have impacted him to it (supported quotas) on all purchases and therefore enter the difference between. If the result of the statement is negative because in the period object declaration input tax account they have been superior to the output tax account, the entrepreneur can compensate in later periods, with the four-year limit, quotas or also request the return of the same.

In this way at each production stage is taxed only the value added and at the end of the chain, consumers support the tax on the final price of the product they consume.

Simplified method: quota to enter = output tax account – input tax account

6.1.7. Tax on Capital Transfers and Documented Legal Acts (ITP and AJD)

Is a complex tax because have different taxable transactions, so sometimes the doctrine divides it into three different taxes:

- Capital Transfers.
- Documented Legal Acts.

- Corporate operations.

Each of these taxes levied on a completely different taxable. All those transmissions of goods that are not encumbered by the value added tax on capital transfer tax. However, the Documented Legal Acts Tax is a tax levied the formalisation of certain documents notarial, Mercantile and Administrative in Spanish territory or abroad which have effects in Spain.

Moreover, the tax on corporate operations gravel the constitution, increase and decrease of capital, merger, split and dissolution of companies, contributions that members carried out to replace social losses and the transfer to Spain of the headquarters of effective management or the registered office of a company.

Tax on Capital Transfers (ITP)

Onerous Capital Transfer Tax applies in all cases where there is a transmission of heritage or of goods such as the sale of a vehicle between individuals or the sale of land, solar or building. It is also applied when making a lease of a property, whether rustic or urban.

This tax is unenforceable and incompatible with:

Este impuesto resulta incompatible e inaplicable con:

- Corporate Operations Tax
- Documented Legal Acts Tax
- Value Added Tax.

Never the same operation as part of this law may be subject to the levy two taxes at the same time. If the operation is included in the corporate operations section will never be subject to the assessment of onerous Capital Transfer Tax.

These three taxes are totally incompatible with the Value Added Tax.

This tax is transferred to the autonomous communities, and they which set a series of scales and opinions for their application, that without taking into account the various situations attesting to having the passive subject, that is, the person is transferred to that good.

In the liquidation of the Capital Transfer Tax we start with the real value of the transmitted good or the right that constitutes or gives the date in which eligibility the act or contract, reduced by charges to reduce the real value of the goods but not the debts although they are secured by pledge or mortgage. This gives the tax base on which applies the tax rate thus obtaining the tax fee, which generally corresponds with the income to pay. With the rules of

the tax established a series of rules for determining the tax base of certain operations, such as Constitution of leases, mortgages and leases.

Tax Liquidation

To proceed to pay the ITP, the Administration provides a number of forms that once filled will be presented in the Territorial service of finance or in the Office of liquidator of the town. The tax has to be paid within 30 days of the transmission on the so-called voluntary payment period.

As a general rule the following fees apply:

- 6% if it's transmission of real estate or the Constitution and transfer of rights in rem that borne by these buildings.
- 4% if it's transmission of movable property, as well as the creation of rights in rem over them.
- 1% if it is the constitution of real rights of warranty, pensions, bonds, loans and the transfer of credits.

Documented Legal Acts Tax

Deed, records and notarial testimonies are taxed in notarial documents. This tax comprises a fixed fee and a variable fee:

- The fixed fee reflects the need of notarial documents extend letterhead.
- The variable fee applies to the deeds having as object number or something valuable and which are registered in the records of the property, commercial or Industrial (patents and trademarks) and collateral. The chargeable event occurs at the time of the conclusion of the document.

Type of assessment

In the fixed fee, 0.30 euros per sheet or 0.15 per folio, at the choice of the attester. Variable fee shall apply the type approved by each autonomous community, secondarily 0,50%.

6.1.8. Special Taxes

The special taxes are established as excise duties, levied on the consumption of certain goods as well as making it as general tax VAT.

Special taxes meet the double function of raise money for the public treasury and at the same time serve certain policy instrument, forming part of the sanitary, energy policy, etc. The configuration of the European Union as a space without borders takes that special taxes are taxes harmonized at Community level, regulated by various Community directives, which constitute the final framework of the imposition for excise duties in the European Union.

Types of Special Taxes:

- Harmonised at community level:
 - Tax on alcohol and derivative beverages.
 - Tax on beer.
 - Tax on hydrocarbons.
 - Tobacco tax.
- Non-harmonised
 - Tax on electricity.
 - Tax on certain means of transport.

6.1.9. Customs duties on imports.

Tariff rates vary depending on the origin of goods and customs rights, commonly known as tariffs, taxes that the importer must pay to have the right to import goods. The tariff is represented percentage or a fixed amount depending on the type of product and country of origin.

The owner of the operation must pay customs duties, excise duties and VAT on imports to the arrival of the goods at the Customs Office of import.

In the European Union the most common import tariffs are as follows:

- Rights Ad Valorem: consist of a percentage of the value of the goods. It is the form of the most common tax rate.
- Specific rights: in this case the tariff applies on an amount directly related to the amount of product that is imported, as for example the net weight, the number of units, the content of pure alcohol, etc.

- Mixed rights: Are formed by a right ad - value over a right specific. The final law is the sum of the two rights taken individually.

6.1.10. Tax on insurance premiums (IPS).

IPS is an indirect tax levied private insurance operations:

1. Arranged by insurance entities that operate in Spain, even under freedom to provide services, and
2. Performed in the Spanish territory.

The insurance entities are taxable persons of the tax. Insurance companies, among others, the branches of insurance companies are:

- Domiciled in third countries not members of the European economic area (EEA).
- Established in another Member State of the EEA, other than Spain, acting in Spain on regime of right of establishment.

As well as the insurance companies established in another Member State of the EEA. It has to be different than Spain and has to act in our country of free provision of services.

The obligations of the insurance entities as payers of the tax are:

- Appoint a tax representative in Spain in the case of foreign insurers acting on of free provision of services, with the status of taxable person as a substitute for the taxpayer.
- Fully impact the IPS above people who hire insurance subject to assessment.

The share of tax is the result of applying to the tax base (the total amount of the premium or insurance fee paid by the policyholder or a third party, with the exception of the surcharges established in favour of the Consortium's compensation insurance and other taxes that fall directly on the premium) the rate of tax (6%). The accrual of the tax occurs at the time that the premiums or contributions are satisfied.

- File returns.

6.2. Local taxes

Local authorities can modify some aspects of these taxes. Sets two different types of municipal taxes, which can be classified in the following way:

- Periodic taxes:
 - Tax on Real Estate.
 - Tax on Economic Activities.
 - Tax on mechanical traction vehicles.
- Other taxes:
 - Tax on constructions, installations and jobs.
 - Tax on the increase of the value of the land of urban nature.

6.2.1 Tax on Real Estate

This tax is accrued annually by taxing the ownership of real estate or rights in rem over them on the basis of the rateable value determined in accordance with the regulations of the real estate cadastre, to different types up to a maximum of 1.30% for urban goods and 1.22% for the rustic heritage. However, each Autonomous Community regulates different types.

6.2.2 Tax on Economic Activities

This tax is accrued annually by business activities carried out within the municipal area.

However, the following taxpayers are exempt:

- Natural persons.
- Taxable persons who begin the exercise of its activity in Spanish territory, during the first two tax periods in which it develops.
- Taxable persons of the tax and entities without legal personality having a net value of less than EUR 1 million turnovers in the previous year.
- As for taxpayers by the tax on the income of non-residents, the exemption will only reach to which operate in Spain through permanent establishment, provided that they have a net value of less than EUR 1 million turnover in the previous year.

The fee to be paid is calculated according to various factors (type of activity, surface employed, net amount of turnover etc.). Minimum rates are published by the Government and can be adapted by each city⁶.

6.2.3. Tax on mechanical traction vehicles.

This tax taxes the ownership of vehicles of this nature and is accrued annually in base to the horsepower of the vehicle. Councils may increase the fees set out in the table of article 95.4 of the Act regulating local treasuries, with a maximum coefficient of 2.

6.2.4. Tax on constructions, installations and jobs.

This tax is the actual cost of any work or construction activity that requires a prior municipal permit, excluding the value added tax and other similar taxes. The type of the tax assessment will be established by each municipality, without that type does not exceed 4%, to accrue at the start of the work or construction, regardless of which has been obtained the license.

6.2.5. Tax on the increase of the value of the land of urban nature

This tax the increase in value of urban land made clear at the time of transmission. The taxable person's tax will be in the taxable transfer the transferor and the lucrative character the acquirer.

The type of the tax assessment will be established by each municipality, without that type does not exceed 30%. The base of this tax will be made up by the increase in the value of the land. For purposes of the determination of the tax base, shall be taken into account for the value of the land at the time of the chargeable event, being in the transmissions of land which have given at that time for the purposes of the tax on real estate. To this value will be applied a few percentages per year depending on the holding period, to be determined by each town hall.

⁶ See annex, Chapter 9.3, to see the rates applicable to such a tax.

7. Labour Legislation



The labour relations of workers are regulated, in General, by way of derogation in the Royal Legislative Decree 1/1995, which approves the Statute of Workers.

A relevant feature of the Spanish legal system in labour matters is the possibility that collective bargaining also regulate important matters relating to the labour relations of workers: this is carried out through collective agreements, i.e. agreements entered into between the representation of workers and the business for the regulation of conditions of employment in the chosen field.

In recent years, the labour legislation has been adapted to special economic circumstances through the adoption of various laws, which include, for its importance and ambition, law 3/2012, on urgent measures for the reform of the labour market, which aims to establish a labour law framework that contributes to the effective management of labour relations and to facilitate the creation of jobs as well as the stability of employment.

7.1. Hiring

In this section you will find the main issues that have to be taken into account when hiring workers in Spain. As a general rule, prohibited discrimination in hiring or in the workplace, as

well as the minimum recruitment age is 16 years of age and that there are certain special rules applicable to the work of persons under 18 years.

Contracts can be concluded in writing or verbally, except in cases which expressly establishes that the written form of the contract is obligatory. There are different types of contracts, which include the following: indefinite, temporary or lasting set, training, distance or part-time.

Here we have the main features of these contractual arrangements.

a. Term contracts

All temporary contracts have to be formalised in writing and you must specify enough cause that motivates the temporary nature of the contract. Otherwise, or when temporary contractual modality does not really correspond to a legally established cause, the contract shall be presumed, unless there is evidence showing the temporary nature.

b. Part-time contracts

Employment contracts can subscribe by full-time or part-time, with the latter being the contract that has been agreed with the worker a number of hours a day, a week, a month or a year lower than the day's work of a comparable full-time worker, that is, a full time worker of the same company and workplace and to carry out an identical or similar job.

Part-time workers have the same rights as full-time workers, even though, as appropriate in view of its nature, such rights will be recognized in proportion, on the basis of time worked.

Part-time workers can work overtime - hours which occur on the maximum length of the working day, in proportion to the day actually agreed - as well as additional hours - hours performed in addition to the hours agreed upon in the contract and which has been previously agreed upon. The sum of ordinary, extraordinary and supplementary hours may not exceed the legal limit of the part-time work.

c. Working distance

It is possible to agree on the realization in remote work, provided it is formalized in writing (both in the initial contract and a subsequent agreement).

It is work that one in which the provision of work is carried out prominent at the home of the worker or the place you choose.

d. Contract of employment for an indefinite time of support to entrepreneurs

It is a contractual modality that is entered into for an indefinite time and day complete, applicable to companies with less than 50 workers. It may be made to this contract mode until the unemployment rate in Spain is below 15%.

The trial period will be 1 year and companies that in the 6 months prior had done extinctions by objective causes declared inadmissible or had proceeded to a collective dismissal may not use this mode. This contract will allow applying bonuses contributions to Social Security for certain groups of workers, provided that the company keep the worker in employment, at least, 3 years and will keep the level of employment in the company reached with the contract indefinite support to entrepreneurs, at least 1 year from the conclusion of the contract.

e. Trial period

The employer can check the skills of the worker by the Covenant on probation during which, employer and worker can freely terminate the agreement without it being necessary to allege or prove cause whatsoever, without prior notice and without right to compensation in favour of the worker or employer.

In any case, when a trial period is agreed shall be made in writing. Collective agreements can establish time periods of test limits.

f. Workday

The fundamental aspects of legal regulation in the field of working hours are:

- **Maximum length of the working day**

The maximum working is the agreed in collective agreements in individual contracts or work i. As a general rule, the maximum duration is 40 weekly work hours effective average on an annual basis, and can agree is uneven distribution.

- **Overtime hours**

Overtime hours are those that are made on the maximum duration of the ordinary working day.

If it is not compensated by rest, may not exceed 80 hours per year. As a general rule, the completion of overtime is voluntary.

- **Breaks, holidays, vacation and paid permits.**

Is obligated a minimum break of a day and a half a week, cumulative for periods of up to 14 days.

The official holidays cannot exceed 14 days a year.

Workers have right of at least 30 days holiday a year, unless they can replace with financial compensation.

Workers are entitled to permits paid under certain circumstances such as marriage, performing Trade Union functions, birth of children, serious illness.

- **Reductions of working day**

Workers can be entitled to the reduction of their workday in certain cases, as for example: for the direct care of children under twelve years, of family members who could not fend for themselves, and during hospitalization and continued treatment of the child until the age of 18 affected by a serious illness requiring admission to hospital and care direct, continuous and permanent.

g. Wages and salaries

The national minimum wage is set annually by the Government, amounting, for persons over the age of 18, to 645,30 euros per month or \$ 9.034,20 per year (including 12 monthly payments and two pay extra) in 2014. However, normally the minimum wages for each Professional category are regulated in collective agreements.

h. Substantial working conditions modification

Employers can modify substantially the working conditions of employees (day, hours, salary and functions, among others) when there are proven economic, technical, organizational or production reasons and respect the legal procedure (15 days noticed in case of individual modification or consultation with the representation of workers in the event of collective amendments).

Additionally, there is a specific procedure for very working conditions laid down in the applicable collective agreement (either sector or company) when there are economic, technical, organizational or production reasons.

7.2. Termination of the employment contracts

An employment contract can be terminated for certain reasons that normally do not cause a conflict, such as mutual consent, expiry of the contract term, death or retirement of the worker or the employer, etc. For the case of extinction by the employer, there are three major cases of dismissal of the worker:

- **Collective dismissal.**

Collective dismissal is considered when the termination of the contract based on causes economic, technical, and organizational or production, affecting a significant part of the template. In the case of agreement between the parties specified therein and at least in all cases, each worker must be compensated with 20 days of salary per year of service.

- **Objective causes**

This dismissal is not guilty of the worker defaults, but objective causes: as the ineptitude of the worker known subsequent to their recruitment in the enterprise, the lack of adaptation of the worker to technical amendments operated at their workplace, for economic reasons, causes technical, organizational or production number lower than required for the collective dismissal.

- **Disciplinary action**

Disciplinary dismissal is the unilateral resolution of the contract of employment by the employer will, founded on a prior non-compliance by the obligations assumed by the contract worker. The dismissal is a sanction, the most serious sanction provided for by the legal system in labour matters.

The sanction of dismissal is reserved for the failures that have the rating of 'very serious', as it are the last and most extreme sanctions, consisting of the final dissolution of the contractual relationship. They are contractual, serious and responsible, breaches that justify the dismissal,

for example, repeated and unjustified absences attendance or punctuality to work, disobedience at work or verbal or physical offences to the employer or workers.

A worker dismissed for any reason objectively or disciplinary can use the company's performance before the courts of the social order, while it is mandatory to attend an act of conciliation between worker and employer, where you should try to reach an agreement previously. This Act of conciliation takes place before an administrative body for mediation and arbitration.

The dismissal shall be qualified in accordance with one of the following three possibilities: from, inadmissible or null.

- **Proper dismissal**

When causes alleged by the employer they have been demonstrated and established the requirements have been met. The worker maintains the compensation he received in his day and is considered in legal unemployment situation.

- **Inappropriate dismissal**

When the reasons alleged by the employer have failed to demonstrate, or when the employer not complies with the requirements (written communication, delivery of compensation). In this case the employer must choose to reinstate the worker paying him wages for processing or pay compensation calculated on the basis of 33 days' pay per year of service.

- **Null**

When the reason of the dismissal is due to discrimination or violation of the fundamental rights and liberties of the worker. The dismissal is also void in the following cases:

- Workers during the period of suspension of the contract of work to be maternity, risk during pregnancy, risk during breastfeeding.
- Gestation period pregnant workers and workers who have applied for or are enjoying permission for breastfeeding; and the workers victims of gender-based violence for the exercise of rights of reduction or reorganization of your working time...

The invalidity of the dismissal will have as effect immediate reinstatement of the worker and payment of wages for processing.

7.3. Acquisition of a business

There are certain labour legal provisions particularly relevant at the time of purchase or sell an active business in Spain. For example, if a company is transmitted, both the seller and the buyer liable jointly and severally liable during the three years following the transmission of labour obligations born prior to it.

When a company is transmitted, the new entrepreneur subrogates in the rights and obligations of labour and Social security of the entrepreneur seller, including commitments for pensions under the terms provided in the specific regulations and, in general, in how many obligations in complementary social protection the seller acquired.

There is an obligation on the company selling and buyer previously informs the representatives of their respective employees of certain aspects of future transmission.

7.4. Displacement of workers

Foreign workers who are temporarily displaced to Spain may maintain the employment contract signed in the country of origin, but must be observed a series of minimum working conditions laid down in the law 45/1999 of 29 November.

This privacy policy is applicable to trips made by entrepreneurs from countries of the European Union and the European economic area (consisting of the countries of the European Union, Norway, Switzerland, Iceland and Liechtenstein), for a limited period of time, in the following cases:

- Within the same company or group of companies.
- Under international provision of services contracts.
- Displacement of temporary workers to a user company in another EU State.

Exceptionally, are excluded from its scope the displacement of workers during the formative periods and those movements whose duration is less than eight days, except that in the case of temporary workers.

The minimum conditions of work that these businessmen concerned countries shall ensure in accordance with Spanish labour legislation. All of this without prejudice to that posted to Spain workers had recognized more beneficial conditions in their country of origin, in which case would be the same.

It is also provided that such entrepreneurs should communicate the displacement to the labour authority Spanish prior to the provision of services, regardless of its duration (except for displacements less than 8 days).

The legislation on infractions and sanctions in the social order creates a series of behaviors related to this issue. Thus, they constitute minor offences the formal defects communication posting of workers to Spain, while it is considered serious infringement the presentation of this communication subsequent to the start of the shift. It constitutes a very serious infringement, the absence of this communication, as well as the misrepresentation or the concealment of data contained therein.

7.5. Visa, work and resident permits



Nationals of Member States of the European Union and their family members may reside and work (on own and others) in Spain, without obtaining work authorization even if yes must obtain, as a general rule, the corresponding certificate of registration of citizens of the Union or the community

family card.

Foreigners who not are applied to the Community scheme will need to have a prior administrative authorization to reside and work in Spain.

Foreigners not residents who intend to enter Spanish territory in order to make a significant capital investment may apply for the visa stay, or in his case, of residence for investors.

Be understood as significant capital investment that meets any of the following cases:

1. An initial investment by a value equal to or exceeding 2 million euros in Spanish public debt securities, or a value equal or greater than one million euros in shares or participation certificates of Spanish companies, or bank deposits in Spanish financial institutions.

2. The acquisition of real estate in Spain with an investment of value equal to or exceeding 500,000 euros for each applicant.
3. A business plan will be developed in Spain and is considered and accredited as of general interest, for which will be evaluated compliance of at least one of the following conditions:
 - Creation of jobs.
 - Realization of an investment with the socio-economic impact of relevance in the geographical area in which it is to develop activity.
 - Significant contribution to scientific or technological innovation.

Types of visas

Stay visa: enables for an uninterrupted stay or successive stays for a period or sum of periods whose total duration does not exceed three months per semester from the date of the first entry. The elapsed time, to stay in Spain will need to obtain an extension of stay or a residence authorisation.

Residence visa: constitutes sufficient title to reside in Spain during at least one year and shall authorize the residence of their holder in Spain.

Uniform visa may be issued for one, two or multiple entries. The period of validity shall not exceed five years. Visa applications will be resolved and will be notified within the period of 10 working days.

Issuance of visa

Stay and residence visas should be requested and issued in the diplomatic missions and consular offices of Spain. For the granting of the visa of residence for investors, it will be necessary to meet the following requirements:

1. In the case referred to in point 1 above, the applicant must provide proof of having made the investment in the minimum amount required, in a period not exceeding 60 days prior to the filing of the application.
2. In the planned event in point 2 above, the applicant must provide proof of acquiring ownership of real estate by means of certification with information of domain and

loads the registry of property that corresponds to the property or properties. The applicant must provide proof of having an investment in real estate of 500,000 euros free from any charge or encumbrance.

3. In the case referred to in point 3 above, must present a favorable report to verify that in the enterprise project attend reasons of general interest. The report will come from the economic and commercial Office of the geographical area where the investor present the visa application.

The granting of the residence visa shall constitute sufficient title to reside in Spain for at least a year.

Foreign investors wishing to reside in Spain for a period exceeding one year, may be provided from a residence authorisation for investors, which will be valid throughout the national territory.

To apply for a residence authorization for investors, the applicant must meet, in addition to the General requirements for stay or residence, the following requirements:

1. Be a holder of a residence visa for investors in force or lie within the term of the ninety calendar days after the expiration of this.
2. Having travelled to Spain at least once during the period authorized to reside.
3. Demonstrate that it has maintained a value investment equal to or greater than the minimum amount required in the case referred to in (a).
4. Show that the inverter is the owner of property or real estate for the minimum amount required in the case provided for in point (b).
5. Submit a favourable report from the Directorate General for trade and investments of the Ministry of economy and competitiveness in the case referred to in point (c).
6. The compliance with tax obligations and Social Security.

The initial authorization of residence for investors will have duration of two years. Once completed this period, foreign investors, who are interested in reside in Spain for more may request the renewal of the authorization of residence for investors for the same term of two years.

General requirements for stay or residence

Visits of less than three months: conditions of entry laid down in Regulation (EC) 562/2006 (Schengen borders code).

In the event of a stay visa also the requirements laid down in Regulation (EC) 810/2009 (Visa code) must provide proof.

In the case of residence visa provided for in the Regulation (EU) 265/2010 the following requirements must prove:

- Do not found irregularly in Spanish territory.
- To be over 18.
- Lack of a criminal record in Spain and in the countries where it has resided during the past five years, for offences under the Spanish legal system.
- Have with a public or a private disease insurance entered into with an insurance company authorized to operate in Spain.
- Have with sufficient resources for themselves and for the members of his family during their period of residence in Spain.
- The fee for processing of authorisation or visa.

8. Social Security



As a rule general, all employers, workers, workers on own account, members of production cooperatives, home workers, military personnel and officials who reside or exercise their functions in Spain, must register and are obliged to contribute to the Spanish Social security system.

There are certain bilateral agreements on Social Security between Spain and other countries that regulate the effects for the Spanish public benefits of the periods quoted Social security of other States. Also determines the State which should be listed in case of displacement and providing services temporarily or permanently.

The Community regulations 883/2004 and 987/2009, on the coordination of Social security systems are applied in the heart of the European Union. These regulations ensure that workers that are applicable will not be adversely affected by move from one Member State to another (for this purpose included Switzerland).

In Spain there are different regimes of Social security contributions:

- a) General Social Security Regime.
- b) There are other situations included in the General Scheme but with a special treatment:

- Artists.
- Railway workers.
- Trade representatives.
- Bullfighting professionals.
- Professional football players and other professional athletes.
- Self-employed agricultural workers.
- Employees of home.

c) Special Social Security Schemes:

- Workers in the sea.
- Self-employed workers.
- Public, civilian and military officials.
- Coal mining workers.
- Students.

Normally, an employer and its employees are subject to the General regime. In this regime, the Social security contributions are partially by the employer and by the worker. The staff is classified in a series of labour and professional categories to determine its share to Social Security. Each category has a maximum and a minimum, bases that are usually reviewed annually. For the year 2014 the contribution in general regime bases are as follows:

Contribution Grups	Minimum base	Maximum base
	Euros/month	Euros/month
1	1051,50	3597,00
2	872,10	3597,00
3	758,70	3597,00
4	753,00	3597,00
5	753,00	3597,00
6	753,00	3597,00
7	753,00	3597,00
	Euros (Day)	Euros (Day)
8	25,10	119,90
9	25,10	119,90
10	25,10	119,90
11	25,10	119,90
Maximum limit	3597,00 euros	
Minimum limit	753,00 euros	

Table X. General Contribution Scheme of the financial year 2014. Source: Ministry of Employment.

The types of contribution applicable to the employer and the worker in the General regime of the Social Security in 2014 would be the following:

Cases	Businessman	Employee	Total
Common Contingencies	23,60	4,70	28,30
Overtime:			
Force Majeure	12,00	2,00	14,00
Not force Majeure	23,60	4,70	28,30
Accidents at work and occupational diseases			
Other Contributions			
Unemployment			
Fogasa	0,20		0,20
Professional training	0,60	0,10	0,70

Table XI. Types of quote general scheme financial year 2014. Source: Ministry of Employment.

Entrepreneur deducted from workers wage receipts to charge these fees and enter, together with quotas in charge, the total Social security contributions.

9. Annex I

9.1. Double taxation agreements signed by Spain (January 2014).

Country	Date of the agreement	Date of publication <u>BOE</u>
Albania	02/07/2010	15/03/2011
Alemania	05/12/1966	08/04/1968
Arabia Saudita	19/06/2007	14/07/2008
Argelia	07/10/2002	22/07/2005
Argentina	21/07/1992	09/09/1994
Armenia	16/12/2010	17/04/2012
Australia	24/03/1992	29/12/1992
Austria	20/12/1966	02/10/1995
Barbados	01/12/2010	14/09/2011
Bélgica	14/06/1995	04/07/2003
Bolivia	30/06/1997	10/12/1998
Bosnia y Herzegovina	05/02/2008	05/11/2010
Brasil	14/11/1974	31/12/1975
Bulgaria	06/03/1990	12/07/1991
Canadá	23/11/1976	06/02/1981
Checoslovaquia	08/05/1980	14/07/1981
Chile	07/07/2003	02/02/2004
China	22/11/19901	25/06/1992
Colombia	31/03/2005	28/10/2008
Corea del Sur	17/01/1994	15/12/1994
Costa Rica	04/03/2004	01/01/2011
Croacia	19/05/2005	23/05/2006
Cuba	03/02/1999	10/01/2001
Dinamarca	03/07/1972	28/01/1974
Ecuador	20/05/1991	05/05/1993
Egipto	10/06/2005	11/07/2006
Emiratos Árabes Unidos	05/03/2006	23/01/2007
Eslovenia	23/05/2001	28/06/2002
Estados Unidos	22/02/1990	22/12/1990
Estonia	03/09/2003	03/02/2005
Filipinas	14/03/1989	15/12/1994
Finlandia	15/11/1967	11/12/1968
Francia	10/10/1995	12/06/1997
Georgia	07/06/2010	01/06/2011
Grecia	04/12/2000	02/10/2002

Hungría	09/07/1984	24/11/1987
India	08/02/1993	07/02/1995
Indonesia	30/05/1995	14/01/2000
Irán	19/07/2003	02/10/2006
Irlanda	10/02/1994	27/12/1994
Islandia	22/01/2002	18/10/2002
Israel	30/11/1999	10/01/2001
Italia	08/09/1977	22/12/1980
Jamaica	08/07/2008	12/05/2009
Japón	13/02/1974	02/12/1974
Kazajistán	02/07/2009	03/06/2011
Kuwait	26/05/2008	05/06/2013
Letonia	04/09/2003	10/01/2005
Lituania	22/07/2003	02/02/2004
Luxemburgo	03/06/1986	04/08/1987
Macedonia	20/06/2005	03/01/2006
Malasia	24/05/2006	13/02/2008
Malta	08/11/2005	07/09/2006
Marruecos	10/07/1978	22/05/1985
México	24/07/1992	27/10/1994
Moldavia	08/10/2007	11/04/2009
Noruega	06/10/1999	10/01/2001
Nueva Zelanda	28/07/2005	11/10/2006
Paises Bajos	16/06/1971	16/10/1972
Pakistán	02/06/2010	16/05/2011
Panamá	07/10/2010	04/07/2011
Polonia	15/11/1979	15/06/1982
Portugal	26/10/1993	07/11/1995
Reino Unido	21/10/1975	18/11/1976
Rumanía	24/05/1979	02/10/1980
Rusia	16/12/1998	06/07/2000
Ciudad del Vaticano	04/12/1979	09/05/1981
El Salvador	07/07/2008	05/06/2009
Serbia	09/03/2009	25/01/2010
Singapur	13/04/2011	11/01/2012
Sudáfrica	16/10/1973	19/12/1973
Suecia	16/06/1976	22/01/1977
Suiza	26/04/1966	27/03/2007
Tailandia	14/10/1997	09/10/1998
Trinidad y Tobago	17/02/2009	08/12/2009
Túnez	02/07/1982	03/03/1987

Turquía	05/07/2002	19/01/2004
Uruguay	09/10/2009	12/04/2011
Venezuela	08/04/2003	15/06/2004
Vietnam	07/03/2005	10/01/2006

9.2. Heritage Tax fee

Royal Decree-Law 13/2011, 16 September, restored the tax on capital, on a temporary basis, and introduces the established fee, unless Community regulate other, which is as follows:

Tax Base <i>To Euros</i>	Fee <i>Euros</i>	Rest of tax base <i>Hasta euros</i>	Applicable Rate %
0	0	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	en adelante	2,5

9.3 Economic Activities Tax fee

The Royal Legislative Decree 1175 / 1990 of 28 September, which approve the rates and the instruction of the tax on economic activities of the Ministry of economy and finance establishes the share of such a tax is calculated using a set of rules that can be found in the third paragraph of this Royal Decree.

Economic activities tax fees result from applying a weighting coefficient and another location, the rates fixed tribute legal form. These rates will be different depending on the economic activity and there will always be a minimum quota to avoid any tax evasion. The fee to be paid nor can never exceed 15% of the average benefit of the activity that is taxed.

Fees shall be established by the Provincial delegation of the Agency State of the Administration tax and the competent authorities of provincial, State or municipal character.

Fee's Calculation

Deliberation coefficient

The rates applicable on the basis of the activity you have to apply a coefficient established the tax law, which will also be based on the net amount of the turnover we obtain.

Net Revenues in €	Coefficient
From 1.000.000,00 to 5.000.000,00	1,29
From 5.000.000,01 to 10.000.000,00	1,3
From 10.000.000,01 to 50.000.000,001	1,32
From 50.000.000,01 to 100.000.000,00	1,33
More than 100.000.000,001	1,35
Without net revenues	1,31

Situation coefficient

On these fees modified by this weighting coefficient, councils can add other coefficients that will definitely alter the fee and will be based on the streets in which the business is located.

Bonus

This tax will have a series of mandatory bonuses and the facultative ones. In this case it will depend on each town hall.

- The obligatory will result in 95% of the entire tax total fee (provincial surcharge) whether it's workers, unions, federations, confederations or any type of agrarian society.
- The facultative or voluntary apply only at the level of municipalities which are expressly approved their application.

These bonuses can only logically fixed on municipal quotas and will depend on the regulation that set the city in question.

Any of them can also be applied to which already benefit from bonuses mandatory if the activity and their turnover match exposed regulations.

9.4 Fee of the Tax on Mechanical Traction Vehicles

Article 95. Fee. 1. the tax shall be required according to the following table of rates: power and class of vehicle fee. –EUR

A) Private car:

- Less than 8 HP engine 12,62
- Between 8 and 11,99 HP engine 34,08
- Between 12 and 15,99 HP engine 71,94
- Between 16 and 19,99 HP engine 89,61
- More than 20 HP engine 112,00

B) Buses:

- Less than 21 seats: 83,30
- Between 21 and 50 seats: 118,64
- More than 50 seats: 148,30

C) Lorry:

- Less than 1000kg of useful load: 42,28
- Between 1000 and 2999kg of useful load: 83,30
- Between 3000 and 9999kg of useful load : 118,64
- More than 9999kg of useful load : 148,30

D) Tractors:

- Less than 16 HP engine 17,67
- Between 16 and 25 HP engine 27,77
- More than HP engine 83,30

E) Trailers and semi-trailers pulled by mechanical traction vehicles:

- Between 750 and 1000kg of useful load: 17,67
- Between 1000 and 2999kg of useful load : 27,77
- More than 2999kg of useful load : 83,30

F) Vehicles:

- Motorized bike: 4,42

- Motorcycles until 125 cubic centimetres: 4,42
 - Motorcycles between 125 and 250 cubic centimetres: 7,57
 - Motorcycles between 250 and 500 cubic centimetres: 15,15
 - Motorcycles between 500 and 1000 cubic centimetres: 30,29
 - Motorcycles of more than 1000 cubic centimetres : 60,58
2. The quota box may be modified by the General State Budget Act.
 3. By law, the concept of different kinds of vehicles and the charges' rules must be determinate.
 4. Councils may increase quotas laid down in paragraph 1 of this article by applying on them of a coefficient, which shall not be greater than 2 (i.e. twice). Councils may fix a coefficient for each of the classes of vehicles provided for in the table of rates contained in paragraph 1 of this article, which can be, in turn, different for each of the sections set in every kind of vehicle, not exceeding in any case the ceiling laid down in the preceding paragraph.
 5. In the case that Councils do not make use of the option referred to in the preceding paragraph, the tax is required pursuant to the rates box fees.
 6. Fiscal Ordinances may define, on the share of the tax, increased or not by application of the coefficient, the following bonuses:
 - A bonus of up to 75% depending on the kind of fuel that consumed the vehicle, because of the incidence of the combustion of the fuel in the environment.
 - A bonus of up to 75% depending on the engines of the vehicles and their impact on the environment.
 - A bonus of up to 100% for historic vehicles or those who have a minimum age of twenty-five years, counted from the date of manufacture or, if this is not known, taking as such of its first registration or, failing that, the date on which the corresponding type or variant is stopped making.

Regulation of the remaining substantive and formal aspects of subsidies referred to in the preceding paragraphs shall be established in the fiscal Ordinance.

Article 96. Tax period and accrual.

1. The tax period coincides with the calendar year, unless it is first acquisition of vehicles. In this case the tax period starts the day in which the acquisition occurs.
2. The tax is bearing the first day of the tax period.

3. The amount of the share of the tax will be prorated for quarters natural in the case of first purchase or final low of the vehicle. Also precede the apportionment of fee in the same terms in the cases of temporary low by theft or theft of vehicle, from the moment such a temporary low occurs in the appropriate public register.

Article 97. Tax management of the tax.

The management, settlement, inspection and collection, as well as the revision of acts in tax management via correspond to the Town Hall of residence that was on the registration certificate of the vehicle.

Article 98. Autoliquidation.

1. Councils may require this tax regime of autoliquidation.
2. In the respective ordinances of tax councils shall provide certifying the payment of the tax instrument class.

Article 99. Justification of the payment of the tax. Writing according to law 36/2006, of 29 November.

1. Upon request to the “Jefatura Provincial de Tráfico” (Traffic Headquarters) registration or certification of fitness for driving of a vehicle, must previously prove payment of the tax.
2. The provincial headquarters of traffic not processed change in administrative vehicle ownership as long as the registration holder has not credited the payment of the tax to the tax period of the year before the procedure is performed.
3. For the purposes of the previous accreditation, municipalities or entities carrying out fund-raising functions by delegation, at the end of the voluntary period, communicate computer to the registration of vehicles of the “Dirección General de Tráfico” non-payment of the debt owed to the tax period of the year. The lack of annotations by default in the register of vehicles shall include, for the unique purpose of realization of the process, previously designated accreditation.



*This publication has been drafted by the firm
JDA ASSESSORS CONSULTORS PROFESSIONALS S.L.P*

*This guide is correct, to the best of our knowledge and belief,
on the date indicated below. However, it has been drafted as a general
guide, so it is necessary to seek specific professional
advice before taking any action.*

Barcelona, April 2014



With the collaboration of:

