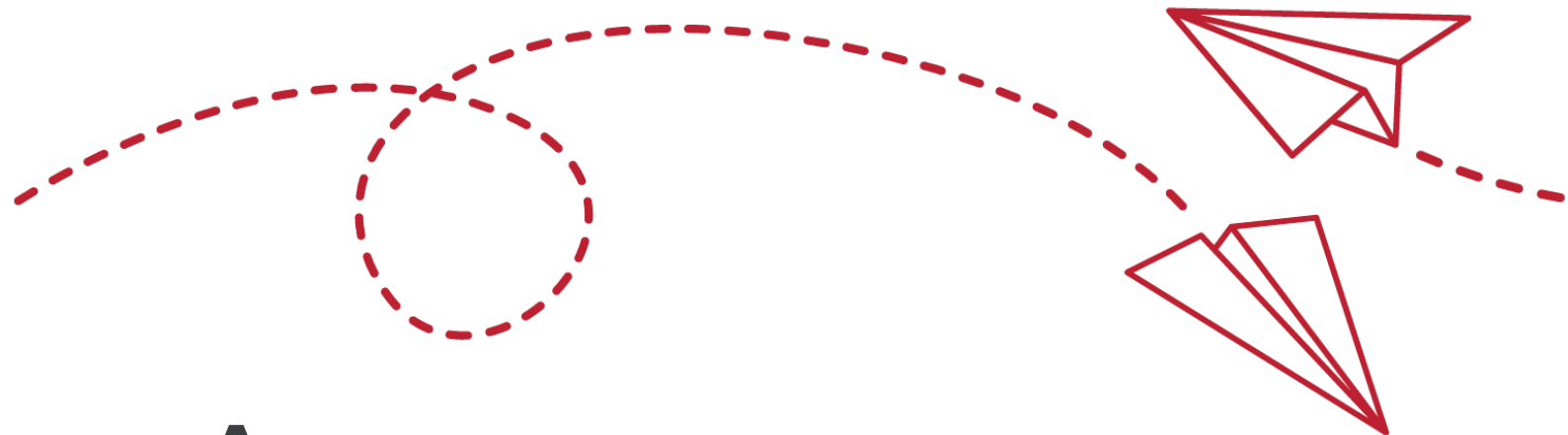




# How to Expand Your Business to Spain.

A Polyglot Group Insider Guide.




**A**s technology becomes more advanced and the globe more accessible than ever before, expanding your business overseas as well as operating on a global scale has never been more important or competitively advantageous.

No longer restricted by geographical proximity, businesses are now turning their attention towards historically remote countries as their destination of choice for their global expansion.

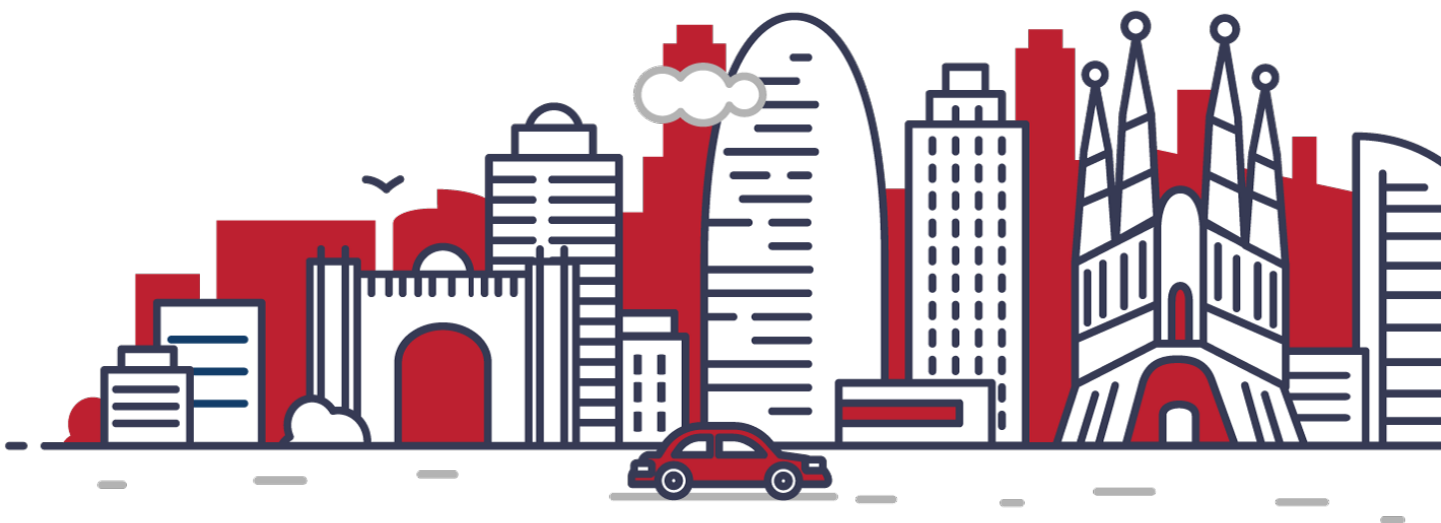
Spain is fast becoming a world-renowned business hub and prized destination for global business expansion. With a **strong investment landscape** and **innovative start-up ecosystem**, Spain offers thriving opportunities for businesses looking to expand.

In fact, thanks to Spain's convenient location and strong trade links, businesses throughout and beyond Europe are keen to set up and reap the benefits of the **thriving Spanish market**.



Yet, as with every significant step in a business's life cycle, there are plenty of **complexities, regulations, costs** and **challenges** to address before contemplating expansion. When faced with these risks, a vital question becomes apparent:

What is the ultimate way for you to **take your business to Spain?**

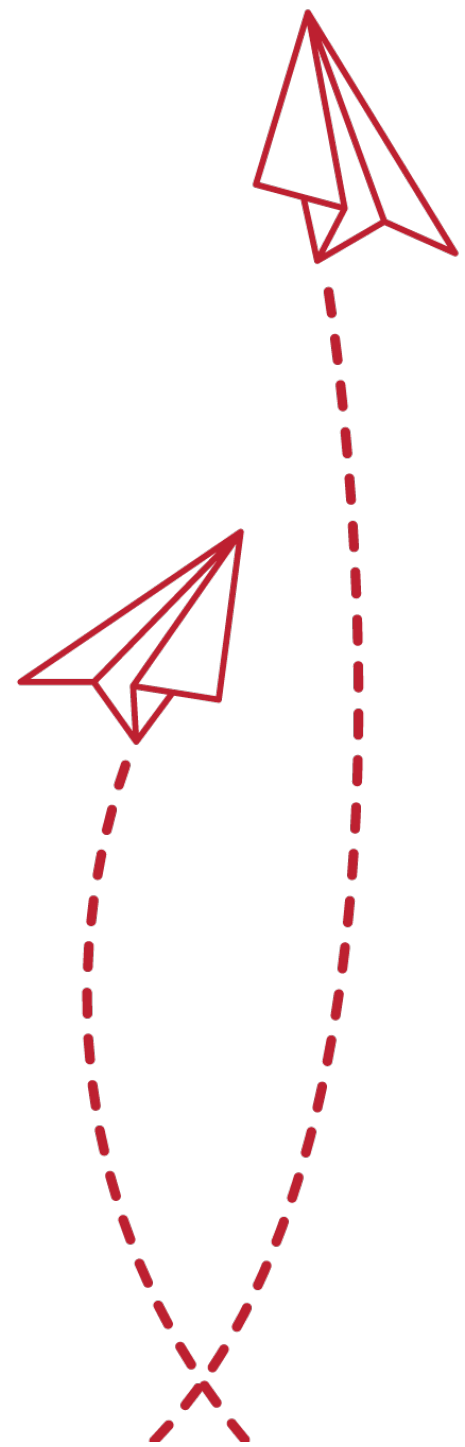


To answer this critical question, we will explore the benefits and implications of **3 popular solutions**.

Each of the 3 solutions will suit different types of businesses (depending on their size & industry) – yet can all be **tailored** to suit your specific business goals and requirements.

Regardless of your business's size, industry or country of origin, it is important to consider **Deadlines, Budget, Market Size** as well as **Product & Service Regulations** when kick-starting your expansion in Spain.

Keeping this in mind, let's delve further into how to smoothly and successfully expand your business to Spain...



# Menu

## Quick Tip

Hello there! I'm an **interactive menu**. That means you can click me to get to where you want faster!



1. Expand by establishing a representative office in Spain
2. Expand by establishing a branch in Spain
3. Expand by establishing a subsidiary in Spain

# 01.

**Establishing a representative office  
of your overseas company in Spain**

# 01.

## Establishing a representative office of your overseas company in Spain

When doing business in Spain, you may wish to **start slow**, to **get a better idea of the market** (demand, competition, laws, culture, etc.), and also be the official employer of your staff.

To do so, you can set up a **representative office** of your overseas company in Spain.

In order to be a **compliant Spanish employer**, certain processes and documents will be required of you. These will be outlined in this chapter.

This solution is often preferable for businesses in the **earlier stage** of their international expansion to Spain. You may wish to get a feel for the market before becoming fully operational (e.g. trading products and services locally).

This is an **efficient** and **straightforward** option for businesses who are simply **curious to test the waters** of the Spanish market.

### Quick Tip

“ This option for setup is ideal if you only intend to carry out advertising, PR, and market research activities, rather than any commercial activity.

# 01.

## How does it work?

A representative office may serve as the **first** and **'lightest'** step in your expansion to Spain. It is not separate from your overseas parent company as it does **not have its own legal identity**.

With a representation office, you may continue to use your lighter presence for **marketing or other activities** to **support** your parent company's core business operations.

Alternatively, you may eventually **transition to a more permanent structure** when you are ready to become fully operational, e.g. with a branch or subsidiary.

As an example:

A German furniture manufacturing company wants to explore the Spanish market to see if it holds untapped potential for the business.

Setting up a representative office is a good alternative to reinforce operations and support activities locally while the contracting and invoicing is managed from the overseas parent company.

This will also allow employees to feel part of the team (and not as independent contractors). The company will, however, need to manage local HR & Payroll administration for their employees.



# 01.

## This option is ideal for you if...



### You are looking for a lighter presence.

Of the various setup options available to your business, opening a representative office involves **less administrative work** as you do not need to register with the Commercial Registry (*Registro Mercantil*).



### You want to explore the market beforehand.

This solution is ideal for the **initial stage** of the business's expansion. With a representative office, you may **explore the market, build brand awareness, and test the waters** in Spain.



### You don't require a local office or facility.

This is ideal if you don't need a **physical office** (storage facility, factory, or IT infrastructure) for goods or services you supply, and are instead happy for your team member to be hosted at a co-working space.



### You want to directly employ a small team.

With a representative office, you may **employ staff locally**. This is recommended only in the **early stage of expansion**, when you will likely **have a small team** (e.g. one or two employees).

# 01.

## Establishing a Representative Office To-Do List

### 1. Obtain a NIF (Tax Identification Number)

- otherwise known as **Número de Identificación Fiscal**

Register through the Spanish Tax Authority (*Agencia Tributaria*) in order to obtain your required NIF and be compliant for tax purposes.

### 2. Register with the Social Security Body

Registration for *Seguridad Social* is required to obtain a Social Security Code (*Código de Cuenta de Cotización*) locally in Spain.

### 3. Implement an Occupational Risk Prevention Plan

If you intend to hire staff in Spain, you must create & implement an Occupational Risk Prevention Plan (*Plan de Prevención de Riesgos Laborales*) to ensure workplace health & safety procedures are in place. This is part of your obligations as an employer.

### 4. Appoint a Labour Authorities Representative

Your chosen Labour Authorities representative must be a Spanish resident and hold a NIF or NIE (Foreign Identity Number, or *Número de Identificación de Extranjeros*).

# 01.

## Establishing a Representative Office To-Do List

### 5. Identify the Legal Representative of Your Existing Company

Within your overseas parent company, you will need to identify the legal representative(s). If not physically present in Spain, the representative(s) will need to give the power of attorney to the relevant person on the ground at the time of setup.

### 6. Find a Local Address

A local address is recommended to receive communications from the Spanish Tax Authority (*Agencia Tributaria*) and Social Security body (*Seguridad Social*).

### 7. Sign Up for Tax Notifications

All companies must obtain and hold a digital certificate in order to communicate with the Spanish authorities, as well as receive notifications from them.

“ This list is not exhaustive and not intended to provide every step required as part of the setup process for this solution.

# 01.

## Ongoing Administrative Duties



### Minimum HR Compliance

Local employment contracts, compliance with the applicable Collective Agreement (*Convenio Colectivo*), occupational risk prevention plan and defined policies & procedures, among others).



### Local Payroll Processing & Payment

Standard payroll processing and reporting is required for any employees that you manage in Spain. These processes must be in line with Spanish payroll legislation.



### Local Accounting & Tax

The Spanish Tax Authority requires that employers report both quarterly and annually on all withholding payments to employees.

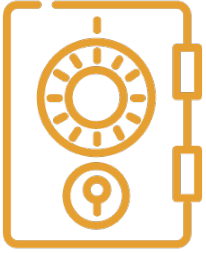


### Contributions to Social Security

An employer's contribution and a contribution on behalf of the employee is required by law for *Seguridad Social*.

# 01.

## Restrictions to remember...



You can open a **local bank account**, but it may be subject to **certain restrictions** imposed by the bank.



You **cannot draw local business contracts or invoices locally** as you have no local legal entity.



You **cannot claim the IVA** - the local goods and services tax, also known as the sales tax (USA), VAT (UK, EU), TVA (FR), GST (AU), etc.



Your business may be considered a **PE (Permanent Establishment)** if you appear to be operating in a more permanent capacity, which involves further commercial & tax obligations. It is recommended that you seek the advice of a qualified tax advisor regarding this.

02.

**Establishing a branch of your  
overseas company in Spain**

# 02.

## Establishing a branch of your overseas company in Spain

When establishing your business in Spain, there is the option of setting up a permanent establishment in the form of a **branch**, known in Spanish as a *sucursal*.

A **branch requires a representative** acting as a kind of proxy, or stand-in figure. This representative is known as an *apoderado*. The *apoderado* has the **power of attorney** to act on the parent company's behalf.

**No minimum share capital** is required for a branch, unlike with a subsidiary.

A branch **does not have its own legal personality**. Instead, it maintains the same legal personality as your parent company. Consequently, your business will be subject to **unlimited liability** for the activities (and losses) of your Spanish branch.

A branch is also subject to the **non-resident income tax**, whilst a subsidiary is a resident entity for tax purposes, and therefore sub-

### Quick Tip

“

If your intention is to carry out economic activities in Spain, establishing a branch from the beginning will allow you to skip several steps.

# 02.

## How does it work?

A branch is essentially an **extension** of your overseas parent company, as it is **registered locally** in Spain but **does not operate as a separate legal entity**, unlike a subsidiary.

Generally, any interest on loans granted from the parent company to the branch are **not tax-deductible** in Spain. However, general expenses for your parent company can usually be considered tax-deductible for a branch.

Thus, a branch is ideal if you know you **intend to carry out economic activity** in Spain, as you have more freedom than with a representative office. When compared to a subsidiary, the differences with the branch option are mainly in the **group structure, degree of liability, and level of autonomy** that you hold on behalf of the parent company.

As an example:

A publicly listed French health company wishes to enter the Spanish market and has already opened branches in Australia and the US.

They want to be able to sign contracts locally and sell their products in Spain, while keeping the same governing bodies that they have at their headquarters. They also already have a financial reporting structure established within the group.

The optimal solution is to establish a branch. Whilst this requires more administrative steps than a representative office, opening a branch considerably minimises restrictions for doing business.



# 02.

## This option is ideal for you if...



### You want to be able to claim the IVA.

As a branch, you are able to **sell and invoice from your local entity**. As such, your business will be entitled to **register for and claim back the IVA**, or the local sales tax.



### You would like to directly employ your Spanish team.

With a local branch you hold the **right to employ staff locally**. This is particularly useful if you are ready to **set up and grow your Spanish team**. When enlarging your local team, you may wish to **seek support with HR & Payroll** (e.g. outsourcing services) to ensure compliance and simplify your Spanish employment.



### You wish to maintain your company reporting structure.

If the business's **reporting structure** is already setup for branches (due to previous setups in other countries), it may be advisable to **continue your expansion** in this manner for consistency.



### You want to maintain control over your Spanish activities.

Since a branch still belongs to and operates as part of your parent company, you have the **power to entrust** to your *apoderado* **all or only some of the decisions** regarding local management and operations in Spain.

# 02.

## Establishing a Branch To-Do List

### 1. Obtain a NIF (Tax Identification Number, or Número de Identificación Fiscal)

Register through the Spanish Tax Authority (Agencia Tributaria) in order to obtain your required NIF and be compliant for tax purposes. This is also needed for the Tax on Economic Activities and IVA (local sales tax).

### 2. Register with the Social Security Body

Registration for *Seguridad Social* is required to obtain a Social Security Code (*Código de Cuenta de Cotización*) locally in Spain.

### 3. Implement an Occupational Risk Prevention Plan

As an employer, you must create and implement an Occupational Risk Prevention Plan (*Plan de Prevención de Riesgos Laborales*) to ensure workplace health & safety procedures are in place.

# 02.

## Establishing a Branch To-Do List

### 4. Register the Official Name of Your Company Branch

Register your branch name through the Commercial Registry (*Registro Mercantil*), to receive a name reservation certificate.

### 5. Appoint a Tax Representative

Your chosen tax representative must be a Spanish resident and hold a NIF or NIE (Foreign Identity Number, or *Número de Identificación de Extranjeros*) for tax purposes.

### 6. Identify the Legal Representative of Your Existing Company

Within your overseas parent company, you will need to identify the legal representative(s) to sign off on your branch.

Please note, although you can give power of attorney (POA) to other people within your organisation, the branch representative must hold general powers.

# 02.

## Establishing a Branch To-Do List

### 7. Submit Declarations

These include acknowledgement of ownership, statutes of association of the parent company, foreign investment declarations, and public deeds. These must be signed by a notary and submitted to the Commercial Registry.

### 8. Present an Opening Licence

Generally, if you decide to have a local office, you will need to obtain an opening licence. This is obtained through the relevant municipal council in Spain.

### 9. Sign Up for Tax Notifications

All companies must obtain and hold a digital certificate in order to communicate with the Spanish authorities, as well as receive notifications from them.

**“** This list is not exhaustive and not intended to provide every step required as part of the setup process for this solution.

# 02.

## Establishing a Branch Checklist

- Obtain a NIF (Tax Identification Number)
- Register with the Social Security Body
- Implement an Occupational Risk Prevention Plan
- Register your Branch's Official Company Name
- Appoint a Tax Representative
- Identify the Legal Representative of Your Existing Company
- Submit Declarations
- Present an Opening Licence
- Sign Up for Tax Notifications

# 02.

## Ongoing Administrative Duties



### Minimum HR Compliance

Local employment contracts, compliance with the applicable Collective Agreement (*Convenio Colectivo*), defined policies & procedures and an occupational risk prevention plan, among others).



### Local Payroll Processing & Payment

Standard payroll processing and reporting is required for any employees that you manage in Spain. These processes must be **in line with Spanish payroll legislation**.



### Local Accounting & Tax

The Spanish Tax Authority requires that employers **report quarterly** and **annually** on all withholding payments to employees, as well as forms to **claim the IVA** if necessary. You must also pay **non-resident corporate income tax**.



### Contributions to Social Security

An employer's contribution and a contribution on behalf of the employee is required by law for *Seguridad Social*.

# 02.

## Restrictions to remember...



Your branch is **not a separate legal entity** and is therefore subject to **unlimited liability** (losses), which will be taken on by the parent company.



In the eyes of clients, partners, and other third parties, your branch may **not be considered as permanent and well-established** as a local entity (subsidiary) would.



With a branch, any **interest on loans** granted by the parent company is **not generally tax-deductible** in Spain - unlike with a subsidiary, for example.



Your branch **must carry out either part or all of the same activities** as the parent company, because the branch functions as an extension of your overseas business.

03.

**Establishing a subsidiary of your  
overseas company in Spain**



# 03.

## Establishing a subsidiary of your overseas company in Spain

When expanding to Spain, you may choose to **incorporate** a local subsidiary (*filial*) of your company.

The typical structure for a Spanish subsidiary is a *Sociedad Limitada (SL)*, or *Sociedad Limitada Unipersonal (SLU)* if there is only one partner. These require a minimum **share capital of €3,000**.

Another option is to incorporate a *Sociedad Anonima (SA)*, which requires a **share capital of €60,000**.

By definition, a Spanish subsidiary is a **separate legal entity** with **limited liability**. Because it remains legally independent, all potential risks and liabilities within Spain remain with the subsidiary.

With this registered local entity, you have the right to **sign local contracts, invoice** locally, lease offices or warehouses, and carry out activities (either similar or different from those of your parent company). This may give your business **more credibility** with third parties such as banks, service providers and partners.

### Quick Tip

“ Bear in mind that the time required to create a SL will vary if you have to gather paperwork from overseas when the shareholder is a non-resident.

# 03.

## How does it work?

A subsidiary effectively acts as an autonomous local establishment, separate from your overseas company.

The **legal representative(s) of the subsidiary** can either be **local or non-resident(s)** and will be appointed as *administrador(es)* for the sake of public deeds. If the legal representative(s) is a non-resident, it is strongly advised that you appoint an *apoderado* to manage the day-to-day operations.

The company can be **wholly owned by a foreign shareholder** provided that the **shareholder obtains a NIF** prior to the registration of the company.

As an example:

An American IT company which already has a few clients in Spain is looking to officially set up their business there.

A subsidiary is a good option for them to setup local operations by establishing a registered SL and appointing an experienced local director who is prepared to take care of the initial administrative duties.

This solution allows them to sign contracts locally, open bank accounts and be seen by their clients as a local business with full autonomy.

# 03.

## This option is ideal for you if...



### You want to be able to claim the IVA.

As a subsidiary, you are able to **sell and invoice from your local entity**. As such, your business will be entitled to **register for and claim back the IVA**, or the local sales tax.



### You want to directly employ your Spanish team.

With a local subsidiary, you hold the right to employ staff locally. This is particularly useful if you are ready to **set up and grow your Spanish team**. When enlarging your local team, you may wish to seek **support with HR & Payroll** (e.g. outsourcing services) to ensure compliance and simplify your Spanish employment.



### You want to minimise liability for your parent company.

As a **separate legal entity** which has its **own identity for tax and legal purposes**, a subsidiary remains **legally independent**, which means that all potential liabilities remain with the subsidiary.



### You want a fully-owned registered local entity.

As a registered local entity, you will be able to **sign local contracts** (sales, employment, purchasing, etc.), lease offices and warehouses, and trade and invoice locally, which may give your business **more credibility** in the eyes of third parties such as clients and partners.

# 03.

## Establishing a Subsidiary To-Do List

### 1. Obtain a NIF (Tax Identification Number, or Número de Identificación Fiscal)

Register through the Spanish Tax Authority (Agencia Tributaria) in order to obtain your required NIF and be compliant for tax purposes. This is also observed for the Tax on Economic Activities and IVA (local sales tax).

### 2. Register with the Social Security Body

Registration for *Seguridad Social* is required to obtain a Social Security Code (*Código de Cuenta de Cotización*) locally in Spain.

### 3. Implement an Occupational Risk Prevention Plan

As an employer, you must create and implement an Occupational Risk Prevention Plan (*Plan de Prevención de Riesgos Laborales*) to ensure workplace health & safety procedures are in place.

### 4. Register the Official Name of Your Subsidiary

By registering your subsidiary name through the Commercial Registry (*Registro Mercantil*), you will receive a name reservation certificate.

# 03.

## Establishing a Subsidiary To-Do List

### 5. Appoint a Tax Representative

The tax representative must hold a NIF or NIE (Foreign Identity Number, or Número de Identificación de Extranjeros) for tax purposes.

### 6. Appoint a Legal Representative

The legal representative, known as an *administrador*, must hold a NIF or NIE (Foreign Identity Number, or Número de Identificación de Extranjeros) for tax purposes.

### 7. Demonstrate Declarations & Certificates

This includes acknowledgement of ownership, statutes of association of the parent company, foreign investment declaration, and public deeds signed by a notary. These must then be submitted to the Commercial Registry.

### 8. Present an Opening Licence

In some cases, an opening licence will be required. This is obtained through the relevant municipal council in Spain.

“ This list is not exhaustive and not intended to provide every step required as part of the setup process for this solution.

# 03.

## Ongoing Administrative Duties



### Minimum HR Compliance

Local employment contract, compliance with the applicable Collective Agreement (*Convenio Colectivo*), occupational risk prevention plan and defined policies & procedures, among others).



### Local Payroll Processing & Payment

Payroll processing is required for your employees in Spain. These processes must be in line with Spanish payroll legislation.



### Local Accounting & Tax

You must report quarterly and annually on all withholding payments to employees, lodge forms to claim the IVA, and pay corporate income tax (*Impuesto de Sociedades*).



### Contributions to Social Security

An employer's contribution and a contribution on behalf of the employee is required by law.



### Company Processes & Protocol

You must fulfil certain commercial obligations, such as holding and recording annual board meetings.

# So...

## What's next for your business?

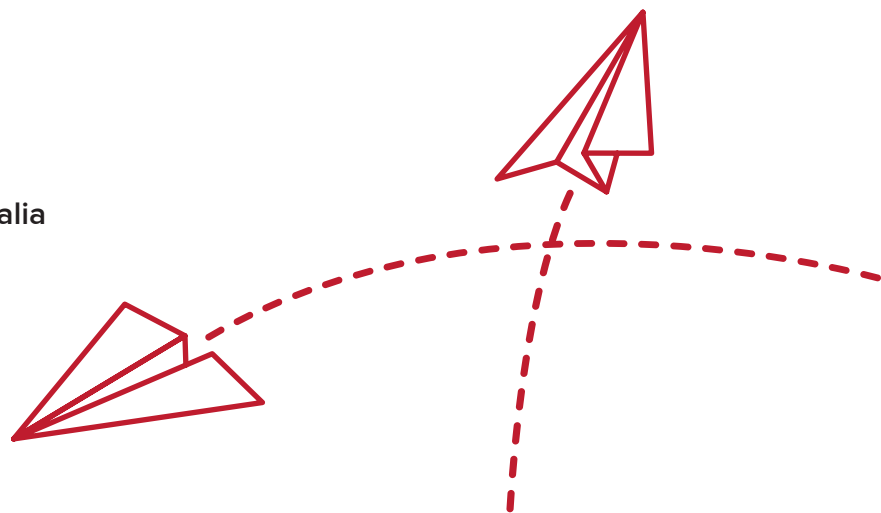
**S**pain is an exceptional place in which to do business, with a strong economy, evergrowing skilled and multilingual workforce, and booming innovation ecosystem.

Enjoy a range of setup options, easy access to the rest of Europe, a vibrant financial services sector and a time zone which accesses both the close of business in the United States and Asia and trade opening in Europe and Africa. Indeed, Spain boasts a highly promising business landscape.

## Why wait to expand your business to Spain?

### Also in this series...

How to Expand Your Business to Australia



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