

# Brief guide to investing in Catalonia. How to establish your business

December 2020

KIT 3.2

## **KIT 3.2: Brief guide to investing in Catalonia. How to establish your business.**

**ACCIÓ**

**Government of Catalonia**



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# 1. Introduction

# Establish and expand your business in Catalonia, one of the main European regions for attracting direct foreign investment

Catalunya encourages the creation of large, medium and small companies and startups in the region to boost the economy. Foreign investors are welcome (both from EU member states and from non-European countries) and the procedure for setting up a company is straightforward. In addition, there are many options for creating a business depending on the characteristics and objectives of the investors.

## Options for creating a company in Catalonia

- Setting up a **Company** is the most common form of investment in Catalonia and can take different legal forms, among which are the Public Company and the Limited Liability Company (LLC). The new Company has to appoint a representative, who must have a Spanish national identification number. If the representative is a foreigner, they must apply for a foreigner's identification number (NIE).
- The **Branch** is a permanent establishment that has certain self-management powers through which the Parent Company operates in Catalonia. The Branch, despite being managed by its Parent Company, must have a legal representative in Catalonia duly empowered to perform its functions. In general, the requirements, procedures, steps and costs related to the establishment of a Branch are very similar to those of a subsidiary, with some differences.

- A **Representative Office** cannot hire and its activities are mainly promotion, coordination, assistance, etc. It does not have a permanent establishment or legal personality, as it is subject to the status of its Parent Company, which also has unlimited liability for the debts of the Representative Office. Although it is managed by its Parent Company, the Representative Office must have a legal representative in Catalonia duly empowered to carry out its functions.
- Registering as a **Self-Employed Worker** is a way of working for a person who carries out an economic activity for profit on a regular basis, without them being subject to an employment contract. The self-employed worker can open a work center and register as an employer with Social Security in order to be able to hire workers.
- Join local partners or other companies already established in Catalonia, resulting in a **Joint Venture**.
- There are other ways to establish a business in Catalonia without the need to establish an operations center in the territory, such as making **distribution agreements, operating through an agent or commission agent, establishing a franchise or signing a licensing agreement.**



## 2. Investing in Catalonia is easy



\* "Express" incorporation of limited liability companies in shorter periods. KIT 4.2 Word contains an explanatory summary of the procedure. If it is not "express", the registration period in the Commercial Register may be longer than the period described (up to a maximum of 15 business days).





### 3. Steps for investing in Catalonia

Step 1 **Who** can help me when investing in Catalonia?

Step 2 **How** can I invest in Catalonia?

Step 3 I have decided to settle in Catalonia. **What** do I need to do next?

# STEP 1. Who can help me when investing in Catalonia?

ACCIÓ offers very useful services for foreign investors:

- a) It facilitates the landing of the investor in Catalonia (financing and incentives, location, information and business support, work permits, and so on).
- b) It makes a manager available for investor projects.
- c) Save time and money with a one-stop shop service (free and confidential).

## STEP 2. How can I invest in Catalonia?

### With setup

**(in a direct way):**

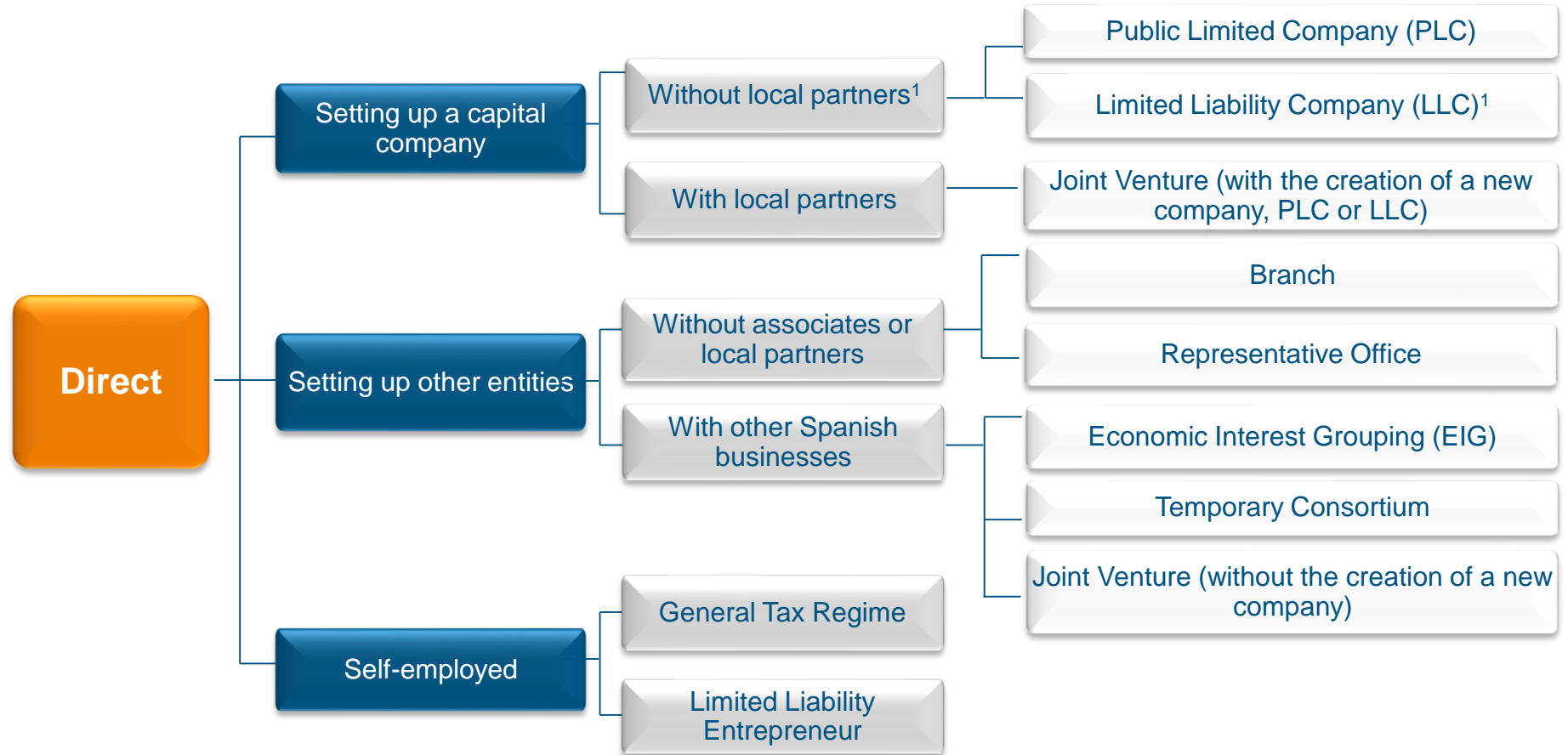
through the setting up/purchase of a company, through the establishment of a branch, or through the registration of a representative office.

### With no setup

**(in an indirect way/commercially):**

distribution, agency, commission, franchise, licensing or similar contracts.

# Most common implementation schemes (I)



<sup>1</sup> In this document some particularities related to limited liability companies are discussed.

However, there are other legal forms of direct implementation such as the European limited company, the simple limited company or the limited company by shares. In addition, there are specific legal forms depending on the activity to be carried out (professional company, agricultural company, venture capital company, etc.) or the purpose pursued (foundation or association).

## Most common implementation schemes (II)



## Main characteristics of the legal forms of implementation (I)

	Public Limited Company (PLC)	Limited Liability Company (LLC)	Branch	Representative Office	The individual entrepreneur (Self-Employed Person)
<b>General Ideas</b>	It has a less flexible regime than the LLC, but allows the listing of its shares, which are freely transferable.	More flexible than the PLC, but more closed in terms of the procedure for transferring its shares.	Secondary establishment endowed with permanent representation and some autonomy of management.	Promotional activities, auxiliary to the activity of its parent company.	Possibility of developing activity as a natural person, without having a commercial structure.
<b>Capital</b>	Shares	Equity Shares	It does not have capital; it has funds allocated by its parent company.	It does not have capital; it uses resources from its parent company.	Not applicable.
<b>Minimum Capital</b>	<p><b>€60,000</b>, 25% of which must be available at setup.</p> <p>In the case of non-monetary contributions, a valuation report by an independent expert is required.</p>	<p><b>€3,000</b> that must be available in full from its setup.</p> <p>Unless it is a Successive Foundation Limited Company that does not require a minimum capital.</p>	Endowment assigned by its parent company.	Not considered to be a foreign investment.	Not applicable.

## Main characteristics of the legal forms of implementation (II)

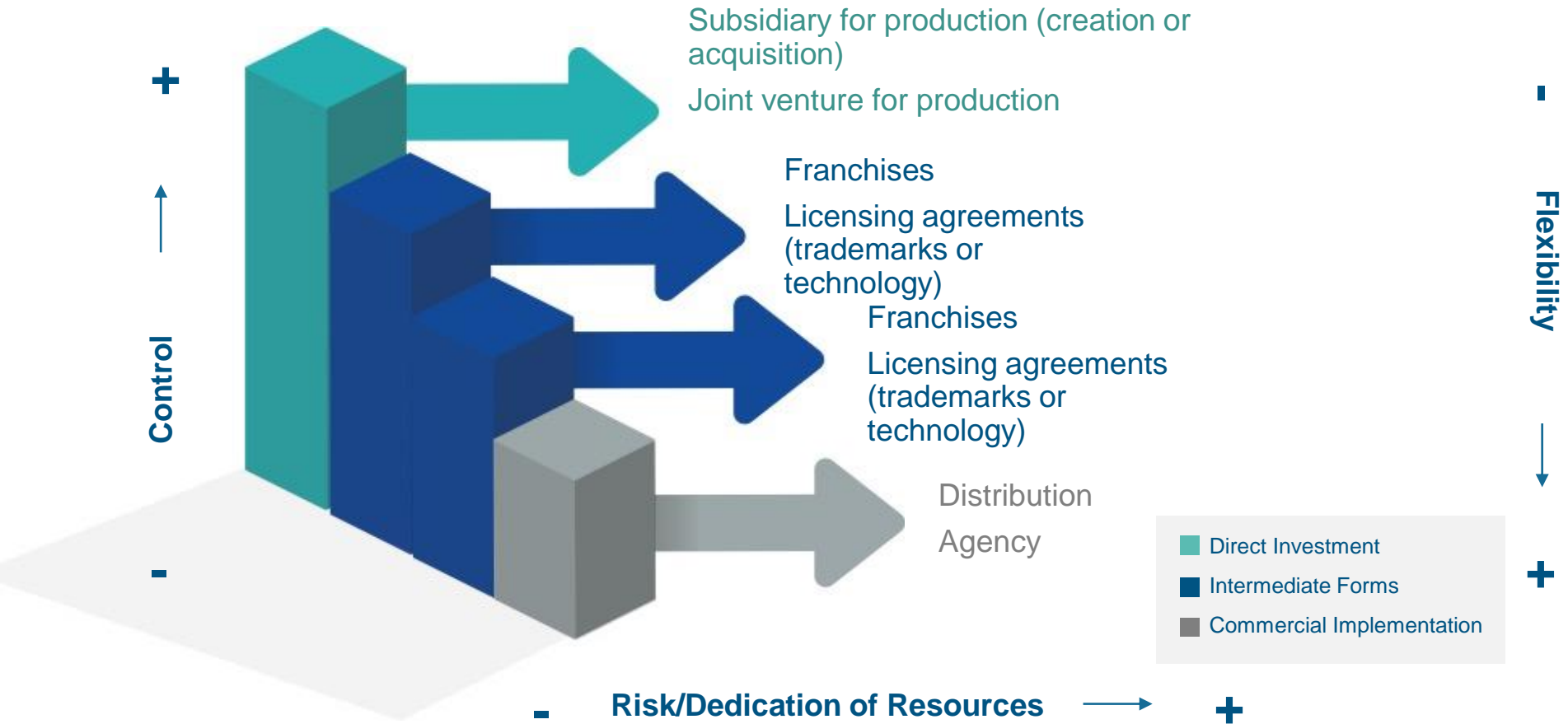
	Public Limited Company (PLC)	Limited Liability Company (LLC)	Branch	Representative Office	The individual entrepreneur (Self-Employed Person)
<b>Legal form</b>	Own form, different and independent from that of its shareholders	Own form, different and independent from that of its partners	It does not have its own legal form other than that of its parent company	It does not have its own legal form other than that of its parent company	That of the self-employed person
<b>Liability of partners</b>	Limited to the contribution of capital	Limited to the contribution of capital	Limited to the responsibility that corresponds to the parent company	Unlimited for the parent company	Unlimited (with nuances in a specific case)
<b>Publication requirements</b>	Public deed and registration in the Commercial Register	Public deed and registration in the Commercial Register	Public deed and registration in the Commercial Register	Public deed (for tax, labor and social security purposes)	<u>Voluntary</u> registration in the Commercial Register
<b>Taxation of profits</b>	Corporate Tax	Corporate Tax	Corporate Tax with some limitations in the deduction of expenses	Due to it not being a permanent establishment, it is not taxed in Spain	Personal Income Tax
<b>Agreements for the avoidance of double taxation</b>	Affects the cost of repatriation of profits via dividends, among other income	Affects the cost of repatriation of profits via dividends, among other income	Affects the cost of repatriation of profits (special tax in some cases), among other income	Defines the specific activities that the representative office can carry out without becoming a permanent establishment	Affects the taxation of income from foreign sources

## Main characteristics of the legal forms of implementation (III)

	Public Limited Company (PLC)	Limited Liability Company (LLC)	Branch	Representative Office	The individual entrepreneur (Self-Employed Person)
<b>Operational issues to consider</b>	<p>The company will be managed by its own administrative body</p> <p>The administrative body may consist of a single administrator, several solidary administrators, several joint administrators or a board of directors</p> <p>The company must keep its own accounts</p> <p>The company must draw up, approve and deposit the annual accounts in the Commercial Register</p> <p>The annual accounts must be audited if two of the following circumstances are met during two consecutive years:</p> <ul style="list-style-type: none"> <li>- Total assets + €2,850,000</li> <li>- Net turnover + €5,700,000</li> <li>- Number of employees + 50</li> </ul>		<p>The branch will be directed by the management body of the parent company, although it must appoint a duly authorized representative with legal residence and tax domicile in Spain</p> <p>The branch must keep its own accounts</p> <p>The branch must deposit in the Commercial Register a legalized and apostilled copy of the annual accounts of its parent company (consolidated, if applicable)</p> <p>There is no need to audit the branch in Spain</p>	<p>The representative office will be directed by the management body of the parent company, although it must appoint a duly authorized representative with legal residence and tax domicile in Spain</p> <p>It does not have its own accounts</p>	Does not apply



## Scheme on the relationship of control/risk/flexibility of the legal forms of implementation



## **STEP 3. I have decided to settle in Catalonia. What do I need to do next?**

Options:

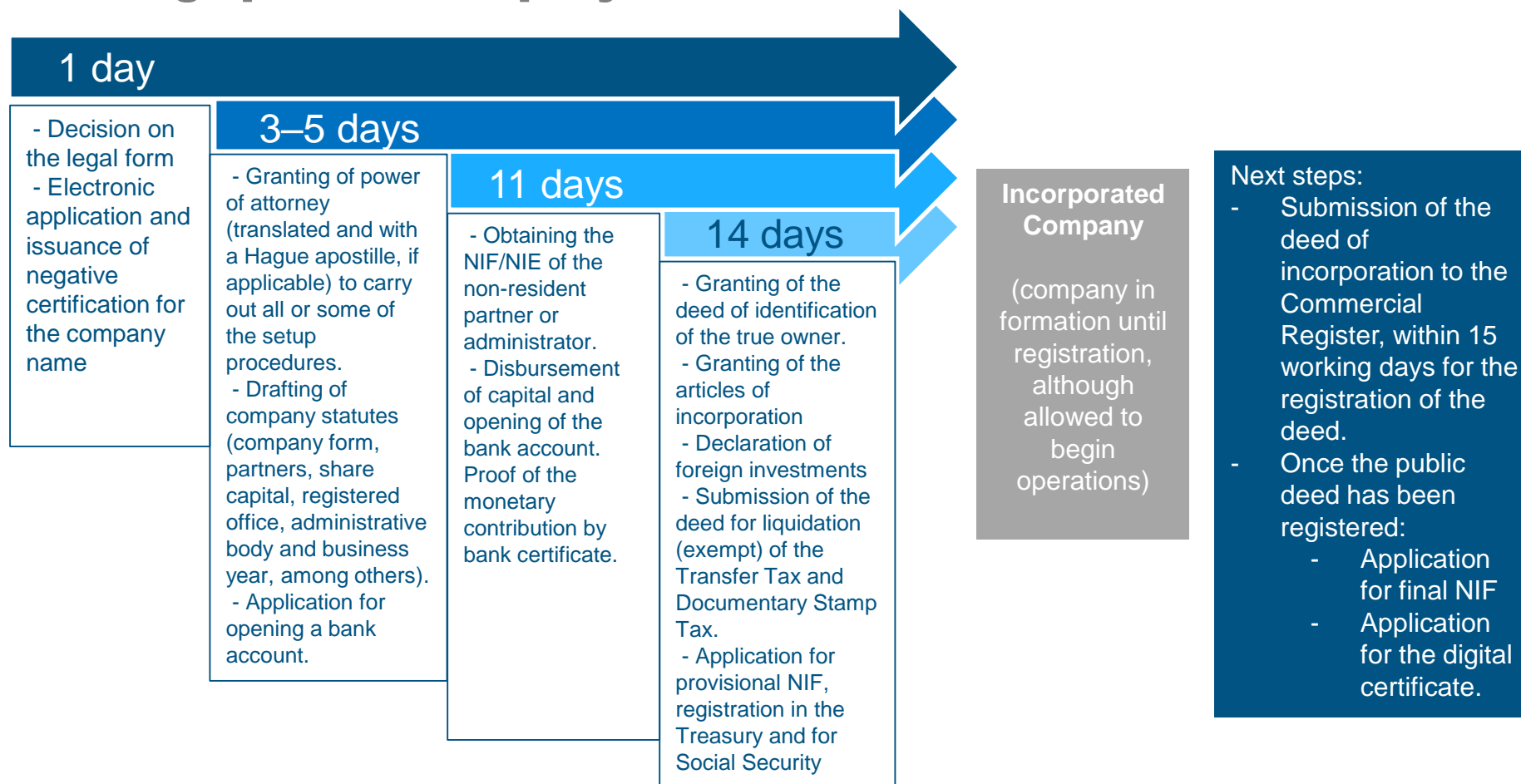


**Set up  
of a new  
company**



**Purchase  
of a new  
existing company**

## Setting up a new company



## Purchase of Limited Companies for immediate use: Shelf companies

### Characteristics

- Company duly incorporated in accordance with Spanish law.
- Bank account open and ready to use.
- Definitive NIF.
- Broad or defined corporate purpose.
- Inactive and without activity since its setup (guarantees in this regard).
- Non-existence of liabilities or contingencies of any kind with respect to third parties (guarantees in this regard).

### Advantages over Setting Up

- **Speed:** the time frame can be less than **24 hours** and cost approx. €3,000.
- **Confidentiality:** the names of the acquiring partners will not be registered in the Commercial Register, except in the case of a sole proprietorship. The identity of the administrators is subject to registration.



## 4. Further information

### Abbreviations

<sup>1</sup> **Hague Apostille:** procedure by virtue of which the competent authority of the General Administration of the State recognizes the validity of a document issued in another jurisdiction.

<sup>2</sup> **ITP-AJD:** Transfer Tax and Documentary Stamp Tax.



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