

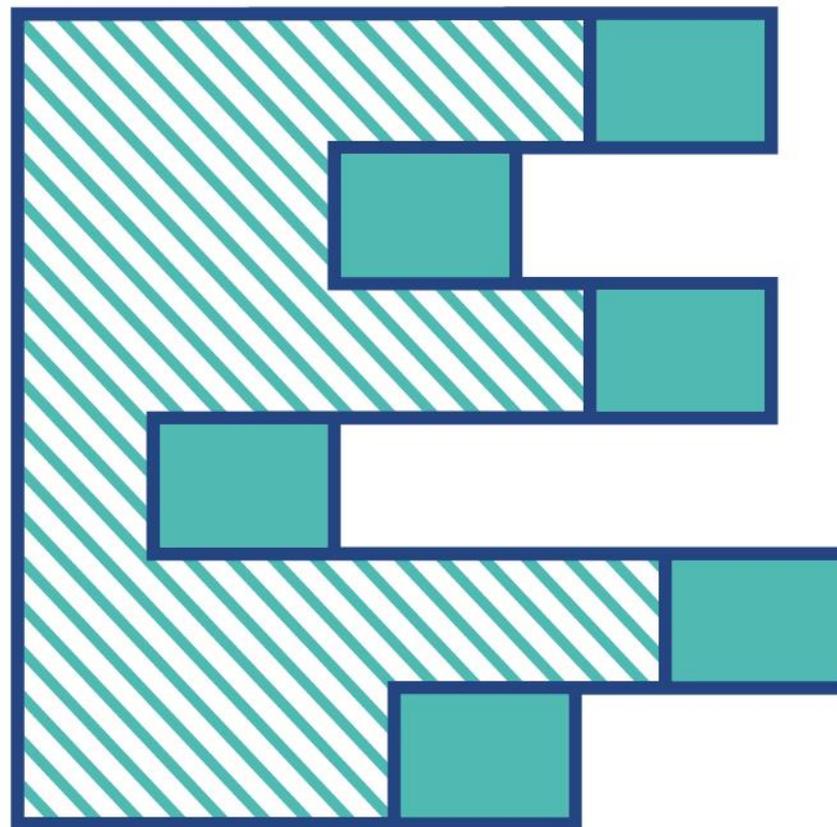
BRIEF GUIDE IN ORDER TO INVEST IN CATALONIA

How to set up a business...

KIT 6.1

**Advice & Information
Tools**

July 2017



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INTRODUCTION:

Locate and expand your business in Catalonia, a top European region for FDI attraction

Catalonia encourages the setting up of large, medium and small companies and start-ups in the region in order to boost up the economy. Foreign investors are welcome, from both EU Member States or non-European countries, and the procedure to set up a business is simple. In addition, there are many options for setting up a business depending on the characteristics and objectives of the investors.

Options for setting up a business in Catalonia

The incorporation of a share capital **Company** is the most usual form of investment in Catalonia and can adopt different legal forms, including the Public Limited Liability Company (S.A.) and the Private Limited Liability Company (S.L.). The new Company has to appoint a representative, who must hold a Spanish national identity card number. If the representative is a foreigner, he or she must apply for a foreigner's identification number (NIE).

The **Branch** is a permanent establishment that has certain powers of self-management through which the Parent Company operates in Catalonia. Although it is managed by its Parent Company, the Branch must have a legal representative in Catalonia duly empowered in order to carry out its duties. In general, the requirements, formalities, steps and costs related to establishing a Branch are very similar to those for a subsidiary, with a few differences.

The **Representative Office** cannot trade and its activities are mainly promotional, coordination, assistance, etc. It has neither a permanent establishment nor legal personality, as it is subject to the status of its Parent Company, which also has unlimited liability for the debts of its Representative Office. Although it is managed by its Parent Company, the Representative Office must have a legal representative in Catalonia duly empowered in order to carry out its duties.

Registering as a **Self-Employed** is a way to work for an individual who pursues a for-profit economic activity on a regular basis, without being subject to a contract of employment. The self-employed person can open a work centre and register as an employer with the Social Security in order to employ workers.

Associating with local shareholders or other companies already established in Catalonia, obtaining as a result **Joint Ventures**.

There are other ways of setting up a business in Catalonia without need to establish a centre of operations in the territory, such as making **distribution agreements, operating through an agent or a commission agent, establishing a franchise or having a license agreement**.

Investing in Catalonia is simple



* A private limited liability company (SL) can be incorporated within a shorter timeframe by means of the "express" procedure. KIT 6.1.3.1 contains a summary of the corresponding procedure for incorporation.

3 Steps for investing in Catalonia

1. WHO CAN GUIDE ME WHILE INVESTING IN CATALONIA
2. HOW CAN I INVEST IN CATALONIA?
3. I HAVE DECIDED TO SET UP MY COMPANY IN CATALONIA. WHICH PROCEDURES SHOULD BE FOLLOWED?

STEP 1. Who can guide me while investing in Catalonia?

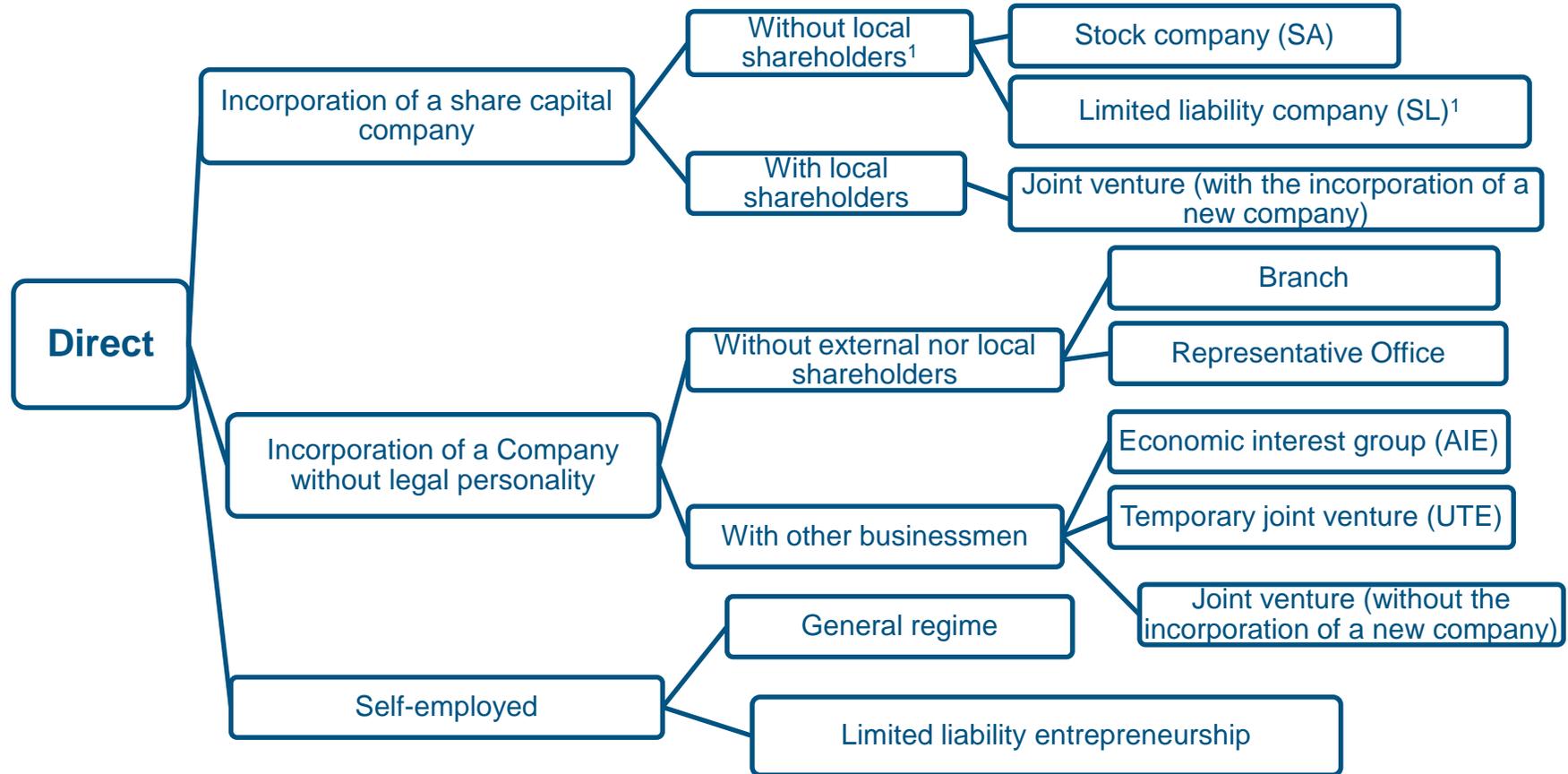
CATALONIA TRADE & INVESTMENT offers very useful services to foreign investors:

- a. **Makes setting up** your business in Catalonia easier (financing & incentives, business location, information and advice, work permits, ...).
- b. **Assigns a manager** to each investment project.
- c. **Save time and money** with a **one-stop shop** for your project (Free of charge and confidential treatment).

STEP 2. How can I invest in Catalonia?

- a) With an establishment (direct form): through the incorporation/purchase of a company or the incorporation of other companies.
- b) Without an establishment (commercial/indirect form): distribution, agency, commission, franchise, license or similar agreements.

Most usual ways of setting up a business (I)

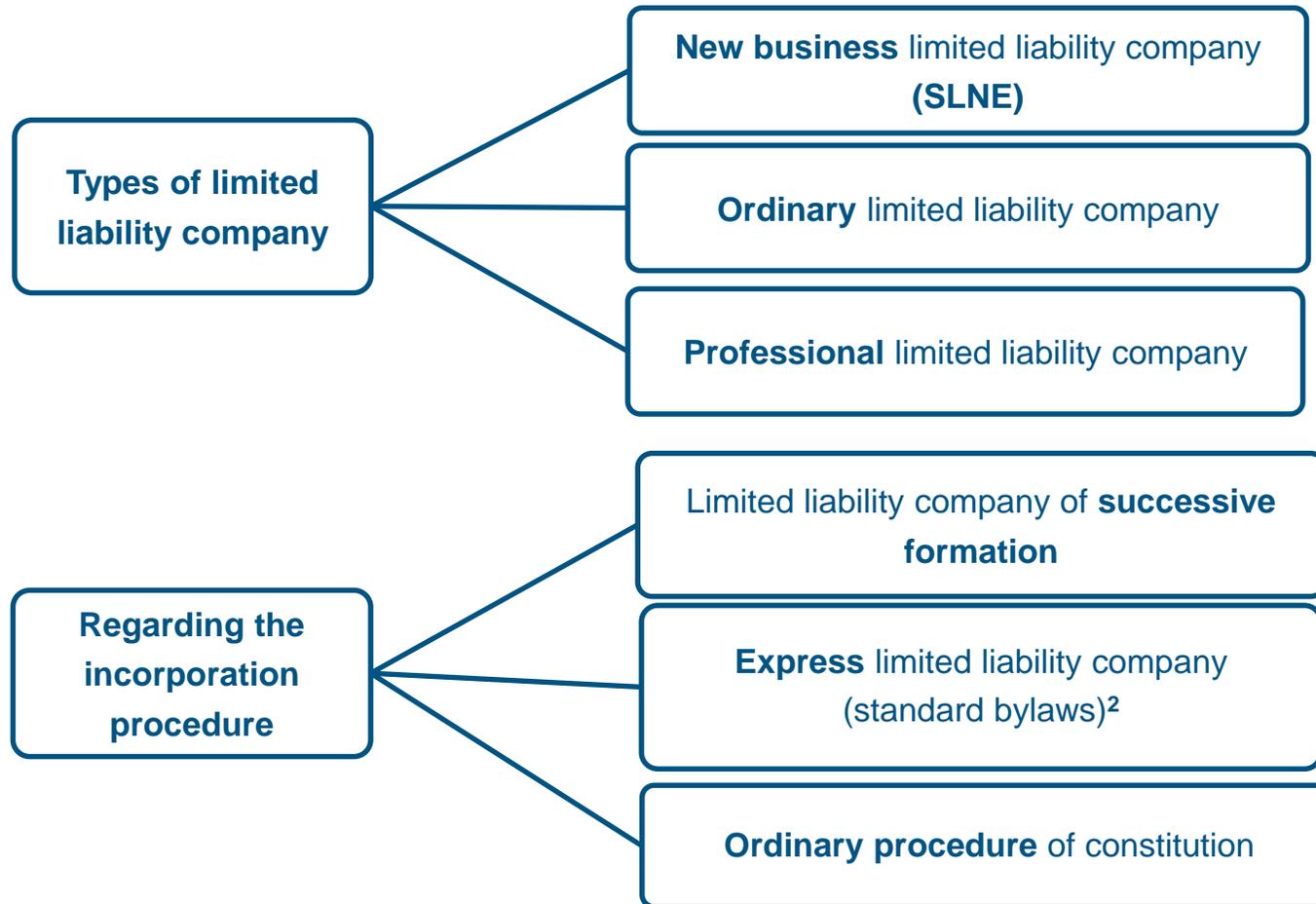


¹ In an upcoming slide, special aspects regarding limited liability companies will be discussed. There are other ways to directly set up a business, such as a European Stock Company, a Simple Limited Partnership, a Partnership Limited by Shares. Also, there are other company types depending on the activity (professional, agrarian or a venture capital company) or the purpose (foundation or association) of the company.

Most usual ways of setting up a business (II)



Other less usual limited liability (SL) company types



² KIT 6.1.3.1 on the express incorporation of SLs contains a summary of the corresponding procedure for incorporation.

Main features of the legal forms of establishment (I)

	Stock company (SA)	Limited liability company (SL)	Branch	Representative Office	The individual businessman ("Self-employed")
Overview	Subject to a less flexible scheme than limited liability companies, but may be listed on the stock exchange market and its shares are easily transferred.	More flexible than a stock company, but with a more rigid procedure for transferring shares.	Secondary establishment with permanent representation and certain powers of self-management.	Promotional activities, auxiliary to the business of the parent company.	Business may be conducted by individuals without the need for a company structure.
Share capital	Shares.	Equity interest.	No share capital. The available capital is allocated by the parent company.	No share capital. Uses parent company's resources.	Not applicable.
Minimum capital	<p>€ 60,000; 25% minimum to be paid on incorporation.</p> <p>Report of independent expert is required in non-cash contributions.</p>	<p>€ 3,000, paid up in full on incorporation.</p> <p>Exception: limited company of successive formation, which does not require minimum capital.</p>	Funds allocated by the parent company.	It does not qualify as a foreign investment.	Not applicable.

Main features of the legal forms of establishment (II)

	Stock Company (SA)	Limited liability company (SL)	Branch	Representative Office	The individual businessman ("Self-employed")
Legal status	Different status to that of the foreign parent company.	Different status to that of the foreign company.	Does not have legal personality. Subject to status of parent company.	Does not have legal personality. Subject to status of parent company.	Status of self-employed.
Shareholders' Liability	Limited to the company's funds.	Limited to company funds.	Unlimited parent company liability.	Unlimited parent company liability.	Unlimited (with certain exception).
Registration requirements	Granting of a Public Deed and registration in Companies' Registry.	Granting of a Public Deed and registration in Companies' Registry.	Granting of a Public Deed and registration in Companies' Registry.	Granting of a Public Deed (for tax, labour and social security purposes).	Voluntary registration.
Tax on profits	Corporation tax (IS).	Corporation tax (IS).	IS with certain limitations on deductible items.	As long as it does not have a permanent establishment, not subject to taxation.	Personal Income Tax (IRPF).
Agreements to avoid double taxation	Affect the cost of the repatriation of profits through dividends.	Affect the cost of the repatriation of profits through dividends.	Affect the cost of the repatriation of profits (special taxation in certain cases).	Allow establishing certain activities that may be conducted by representative offices without being considered as permanent establishments.	Affect tax on foreign earnings.

Main features of the legal forms of establishment (II)

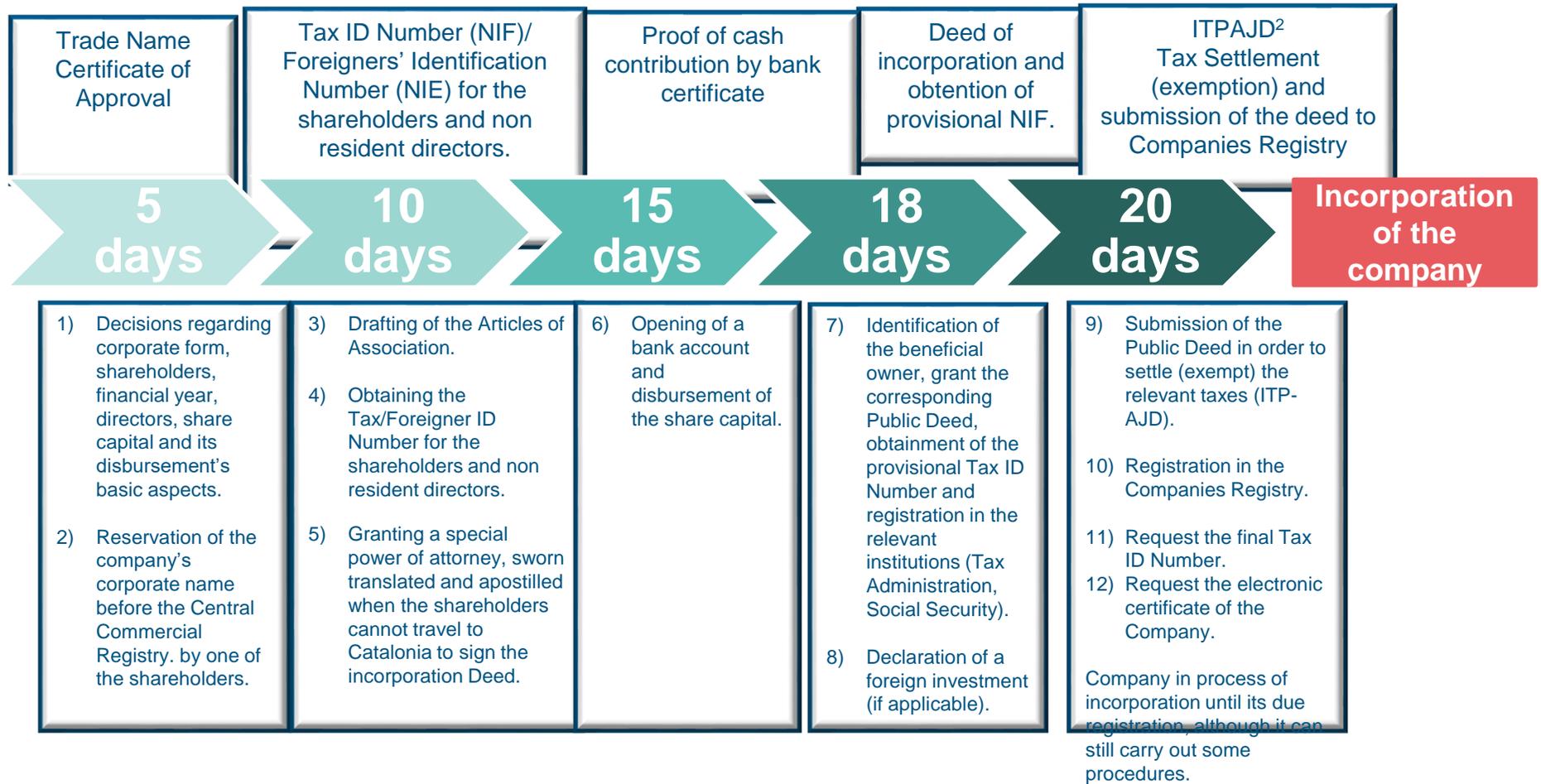
	Stock Company (SA)	Limited liability company (SL)	Branch	Representative Office	The individual businessman ("Self-employed")
Operating issues to take into consideration	The company would be managed by its own governing body		The branch is managed by the parent company governing body, despite of appointing a legal representative in Spain duly empowered in order to carry out its duties		
	The governing body can be conferred either to a sole director, several directors acting jointly, several directors acting jointly and severally (i.e. individually) or a board of directors			The representation office is managed by the parent company governing body, despite of appointing a legal representative in Spain duly empowered in order to carry out its duties	
	The company has its own accounting books		The branch has its own accounting books		
	The company would have to formulate, approve and deposit within the Commercial Registry its annual accounts		The branch would have to deposit within the Commercial Registry a duly legalized copy (with the "The Hague Apostille") of its parent company's annual accounts (the consolidated accounts, if applicable)		The representation office does not have its own accounting books
	Audit is required if two of the following thresholds are exceeded during two consecutive years:				
	<ul style="list-style-type: none"> - Total assets + € 2,850,000 - Total annual turnover + € 5,700,000 - Number of employees + 50 				
			Audit requirements: not in Spain		

STEP 3. I have decided to set up my company in Catalonia. Which procedures should be followed?

Options:

- a. Incorporation of a new company.
- b. Acquisition of an existing company.

Incorporation of a new company



Acquisition of an existing company ‘Shelf Companies’

Main features

- The company has already been legally incorporated under Spanish law.
- Bank accounts already set up and ready to operate.
- Final NIF number.
- Wide and adjusting corporate purpose.
- Economically inactive prior to sale – incorporated and left with no activity.
- Guaranteed to be free from contingencies and other liabilities.

Main advantages

- **Timing:** Approximate time required **less than 24 h** and an approximate cost of € 3,000.
- **Confidentiality:** The name of the new shareholders will not be registered in the Companies’ Registry (unless it’s a sole shareholder company). The identity of the directors will be registered.

Notes:

¹ **Hague Apostille:** procedure by which the relevant authority of the Central State Administration recognizes the validity of a document issued in another jurisdiction.

² **ITPAJD:** Property Transfer and Certified Legal Documents Tax.

This document has been written as a general guide only for setting up any business in Catalonia. The timeframes and costs referred to in this guide are intended as a guideline only, and may vary depending on the specific circumstances of each particular case. It is therefore no substitute for specific professional advice, which it is highly advisable to seek before investing in Catalonia.

For more information, contact us at catalonia@catalonia.com.

The above information is provided solely for information purposes and does not serve as a substitute for any legal advice. Therefore, we suggest that you seek professional advice prior to taking any decisions related to said information.

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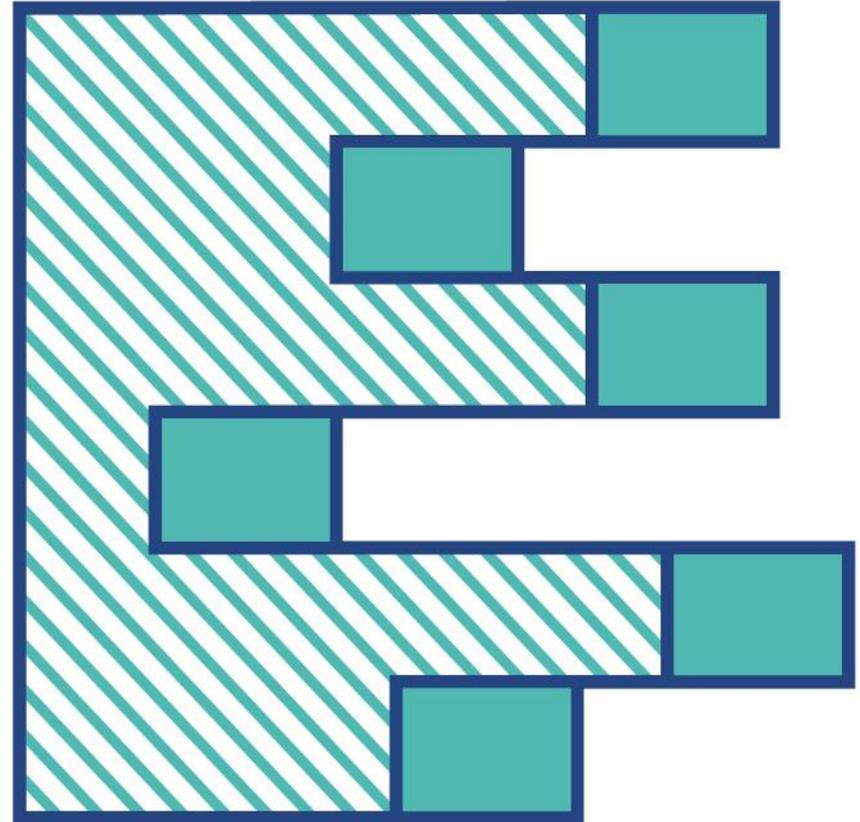
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