



Fundamentals of doing business in Spain

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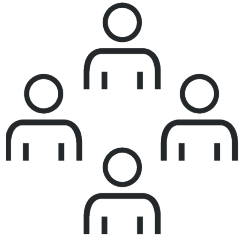
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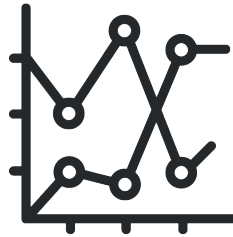
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From an international investment perspective, the fundamental attraction of Spain has grown in recent years. A sophisticated transport infrastructure and an expansive fibre optic network facilitate the ease with which business can be conducted. For companies looking for human capital, significant changes to the country's labor and employment regulations have reduced bureaucracy.

Corporate income tax and VAT rates are lower than the European average, and the tax treatment of research and development is the second most favorable among OECD countries.

Furthermore, **Madrid and Barcelona are ranked among Europe's top 10 business cities** for expatriates.

Positive factors

- Population: 46,549,045*
- GDP per capita: \$29,800*
- Banking reform
- Recovery of the economy

(*2018)

Negative factors

- Unemployment rate: 14.3%*
- Public debt
- Consequences of the financial crisis

Where we came from and where we are

- Real estate bubble attracted many immigrant workers and foreign investors
- Spain had become the “EU Florida” due to:
 - Quality of life
 - Weather
 - Welfare system
- Consequences of the financial crisis:
 - Health care costs increased
 - Risk of losing significant foreign investment because of the crisis
 - Higher unemployment rate
 - Bankruptcy of companies and financial entities
- The last government in Spain carried out important structural reforms: banking and labour. Other important reforms are still pending
- Most of these reforms are difficult to achieve from a political point of view:
 - Unpopularity of the decisions
 - Difficulties to reach agreements between political parties
- Spain has entered in the international market as investor in different areas:
 - Banking (Banco Santander/BBVA)
 - Telecommunications (Telefónica)
 - Energy (Iberdrola)
 - Infrastructure (Ferroviario/Sacyr)
 - Textile retail (Inditex)

Entrance in EU and € implementation

Positive factors

- EU has brought many investments, imports, exports and new infrastructure since Spain ratified its membership, in 1986
- Increasing internationalization of businesses and economy
- € facilitates a real single market
- EU Foreign & Security policy

Negative factors

- Entrance of new member-States in the EU has caused a decrease in the amount of EU investments and subsidies received by Spain
- Spain cannot devalue its currency
- Reforms required in order to keep € in force in financial and tax issues
- Difficulties in EU regarding decision making, due to political disagreements (each State is one vote – no matter the population or economic and financial relevance) and different current economic situation
- Less control over geopolitical events Brexit/Ukraine

- Many of the investments come from foreign companies
- Main characteristics of **legal system**:
 - Civil Law tradition
 - Influenced and harmonized by EU law
 - Business law: influenced by US law
 - Regional legislation
- **Strengths** for foreign investors are:
 - Infrastructures
 - Market Size
 - Costs and quality of Life
- Whereas the main **weaknesses** detected by foreign investors are:
 - Administrative burden in running a company
 - Slow litigation
 - Alternative Equity Market
 - Total volume of public expenditure in RDI

- **Catalonia** is located in the northeast of Spain
 - Population of 7,5M people (17,6% of the total Spanish population)
 - The Catalan Gross Regional Product is about €210,000MM (19% of Spain's GDP approx.)
 - One of 17 autonomous communities created under the 1978 constitution after the death of Franco.



- 1 Starting a business in Spain
- 2 IP issues
- 3 Litigation and arbitration
- 4 Labor regulation

a) Standard procedure for setting up a company:

- Obtaining of certification of uniqueness of proposed company name
- Opening a bank account (minimum share capital of € 3,000)
- Grant of public deed of incorporation
- Obtaining a tax identification number
- Payment of taxes
- Filing of public deed with the Commercial Registry
- Legalization of company books
- Filing with social security and registration of employees

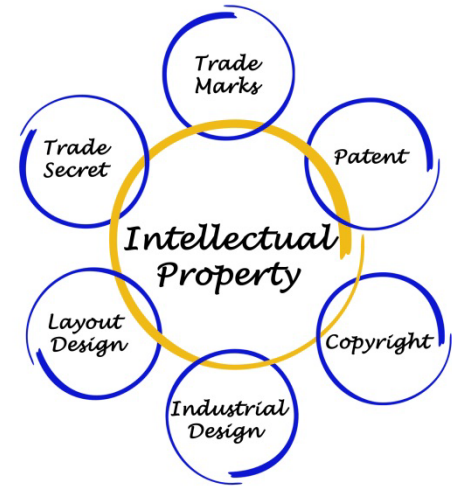
b) Rollout of a business activity without setting up a company:

- Internet platforms acting as pure intermediate companies can operate with no further requirements other than compliance with tax and Social Security obligations

c) Purchasing a business in Spain:

- Due Diligence
- Structure of the transaction
- Tax implications
- Administrative law considerations
- Financing
- Transaction documents and negotiation
- Antitrust issues

- In accordance with EU law
- First to file system
- Principle of territoriality
- Patrimonial character
- Transmissible rights
- Common contract: License contract



- The Court System
- Civil Procedure
- Rulings by EU courts automatically enforceable
- Arbitration
- Bankruptcy
- Criminal Justice



- General system:
 - Indefinite duration of labor contract principle vs seasonal contracts
 - Collective bargaining
 - Mass dismissals (“ERE”).
 - Dismissal and workers Social Security costs
- New reforms foreseen: pension scheme?
- Labor **reform** in Spain (2012)
 - Highly relevant changes in economic effects, compensations and procedural salaries
 - Mass dismissals do not require previous administrative proceedings
 - Limitation of wage claims in case of wrongful dismissal: maximum of 33 days per year
 - Importance of collective bargaining decreased
 - Some provisions are still pending Court interpretation



Thank
you
