

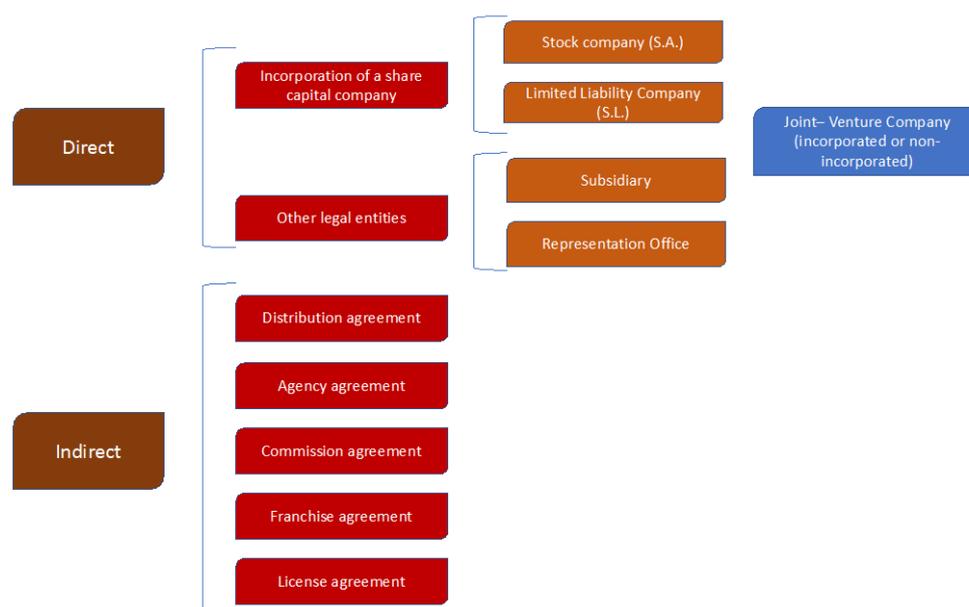
AN OVERVIEW OF DIFFERENT WAYS TO INVEST IN SPAIN

Spain is the 10th largest economy in the world by GDP. Since the financial crisis of 2008, it has become one of Europe's fastest growing economies. As economy recovery continues to grow over time, international investors have taken a renewed interest in the country.

Recognized financial advisory firms highlight the solvency, competitiveness and growth potential of Spain as reasons to invest. The country has 46 million consumers to which must be added more than 75 million tourists who visit Spain annually. Its geographical location with easy access to the rest of Europe, North Africa, as well as to the LATAM market; network of infrastructures and its industry, are other reasons that make Spain a strategic location from the economical point of view.

Spanish economy is among the less restrictions on foreign investment. Therefore, the purpose of the following lines is to summarize the different ways of investment in Spain and to collect the main formalities that must be fulfilled depending on the selected form of implementation.

As we observe in the following diagram, we can differentiate between direct and indirect forms of investment, each one having its own particularities. In any case, the investor is the one who must decide the option that best suits their interests.



Being the ways of direct investment those that require a deeper explanation for the procedures adjusted to the Spanish legislation, the following table explains in a simple way what particularities each one has.

	Stock Company (S.A.)	Limited Liability Company (S.L.)	Branch	Representation Office
Overall	Be listed on regulated stock market and its shares are easily transferred	Transfer of shares has more restrictive procedures	Permanent representation with some management faculties	Promotional activities to the business of the parent company
Share Capital	Shares	Shares	No share capital (parent company capital)	Parent company resources
Minimum share capital	60,000.-€	3,000.-€	-	-
Legal Status	Own legal personality	Own legal personality	No legal personality	No legal personality
Shareholders liability	Limited to company share capital	Limited to company share capital	Unlimited parent company liability	Unlimited parent company liability
Requirements for incorporation	Public deed & registration in Commercial Registry	Public deed & registration in Commercial Registry	Public deed & registration in Commercial Registry	Power of attorney to parent company representative
Tax	Corporate Tax (IS)	Corporate Tax (IS)	Corporate Tax (IS) with limitations	Not subject to taxation
Other considerations	<p>Company managed by a sole director, several directors or a board of directors.</p> <p>Company has its own accounting books.</p> <p>Company shall register annual accounts in the Commercial Registry.</p> <p>Audit annual accounts might be required.</p>	<p>Company managed by a sole director, several directors or a board of directors.</p> <p>Company has its own accounting books.</p> <p>Company shall register annual accounts in the Commercial Registry.</p> <p>Audit annual accounts might be required.</p>	<p>Managed by the parent company but with an appointed representative.</p> <p>Subsidiary has its own accounting books.</p> <p>Subsidiary shall register parent company annual accounts in the Commercial Registry,</p>	<p>Managed by the parent company but with an appointed representative.</p> <p>Representation Office does not have its own accounting books.</p>

With all these possibilities, the investor must consider the best investment's form, hence professional advising in the legal and economic field usually involves the first contact of the investor in Spain.

The most used form of investment, due to its the easiest to manage among the companies that limits liability, is the Limited Liability Company (*Sociedad de Responsabilidad Limitada* or *S.L.*). According to the latest available statistics 100,478 *S.L.* were incorporated versus 413 *Stock Company (S.A.)*

Once the corporate figure, that best suits the needs of the investor, has been chosen, there are two ways to establish it: through the incorporation of a new company, or through the purchase of an existing company (shelf company).

Main steps to incorporate a new company are as follows:

- Company's name certificate
- Obtaining Tax Id Number for shareholders and/or directors (NIF/NIE)
- Draft Articles of Association
- Granting Public Deed of incorporation
- Registration in the Commercial Registry

Along with this, the purchase of a shelf company can be done through the purchase of a company with activity (this way requires a purchase process that can be complex due to the need to carry out *due diligence* processes to verify the non-existence of responsibilities of the purchased company). On the other hand, a company can be acquired without activity, which offers the advantage of being transmitted with all the general procedures of incorporation already fulfilled.

The main advantage of purchasing a shelf company is that it's already legally incorporated, so it can operate immediately as all the incorporation procedures have been fulfilled. Additionally, confidentiality it is a point to consider as the purchase of shares is not an operation that requires the register in the Commercial Registry, and, such information is not available to third parties but only to Public Administration.

It should be noted that in case that purchasers or future directors are not residents in Spain, they will have to carry out the corresponding foreigner procedures to obtain a NIE (foreigners id card).

In another field we have the possibility to incorporate a Representation Office (*Oficina de Representación* or *OR*) or a Subsidiary company (*Sucursal*).

OR is defined as a permanent place of business, established by a non-resident company with the aim of developing activities of advertising, promotion, supply of information, etc., which aims to carry out activities of an auxiliary nature without being able to develop commercial operations. *OR* does not have its own legal personality, operates under the corporate name of its parent company and has its own resources without being necessary to provide its own capital. Regarding the incorporation procedures, it does not require any formality other than obtaining a Spanish Tax Identification Number (NIF) and the granting of powers of attorney by the parent company to their representative. However, it could have effects in the tax, labor and Social Security areas that require procedures before the Public Administration.

The incorporation of a branch requires the granting of a public deed that must be registered in the Commercial Registry. Subsidiaries must have a legal representative authorized by the parent company without being required that other directive figure exist. Branches are incorporated with the corporate name of their parent company adding the surname "*Sucursal en España*".

It's necessary to point out that direct ways of investment might be carried out by investor itself or jointly with a local partner, sharing in this way the expertise on the market. With this purpose, well known joint-ventures (incorporated or not) are always an option to take into account. In the same page, an indirect way of investment trough

an agreement (distribution, agency, etc.) might be a good starting point before opting by a direct way of investing.

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