



**Spence
Clarke**
CHARTERED
ACCOUNTANTS

Starting Business in Spain:

What you need to know.

Most people in business in Spain trade in one of two ways. As a sole trader, i.e. as self employed (Autonomo) or by using a limited company (Sociedad limitada).

The way you choose to trade depends on what sort of business you are in, whether or not you will have employees and the scale of your business.

Self -employed — Set up is simple

The quickest, simplest and least expensive option of the two is to be self employed. This has significantly lower set up and ongoing costs. To start trading, registration with the tax and social security offices is required, which takes no more than a day, although the individual also needs a foreigners ID number (NIE), which can take weeks.

A business bank account is not necessarily needed though usually desirable to keep business and personal finances separate. A conventional Spanish bank account is essential to allow payment by direct debit of taxes, social security and utilities.

Another advantage of being employed is lower social security costs, with the first 12 months being as low as 60€ per month rising to 270€ per month after 24 months.

Self employed — Ongoing

Accounting compliance is relatively simple because a simple record of income and expenses is all that is required.

Tax filings are another matter and can easily total in a year between 11-20 in number. The tax system is very heavy in bureaucracy.

SL Company — set up

To start up a company takes a lot longer. A company name has to be applied for followed by a visit to a local notary to sign the deed of incorporation, followed by registration with the mercantile registry, tax and social security offices. This process will inevitably take at least three weeks.

A company will need at least one director and shareholder although they can be the same person. Each director and shareholder must have an NIE.

Setting up a company bank account is not too complicated but a personal visit to a bank branch by a director is essential. As with a self employed person, having a conventional Spanish bank account is essential for tax, social security and utilities direct debits.

Shareholders/Directors of SL companies also have to register in the social security system and their contributions are higher at 370€ per month, after an initial 2 year period.

SL Company — ongoing

Companies must keep a full double entry bookkeeping system and file bookkeeping records each year in the mercantile registry. Annual Financial Statements must also be prepared and filed in the mercantile registry.

Inevitably, companies have more tax filings than the self employed.

Our commercial department, looks after all the compliance aspects of our trading clients' business affairs.

So why would anyone chose an SL company to trade?

Limited liability is a big issue of course. Businesses go bad for all sorts of reasons outside the control of the business owners. Just think about the effect that Covid-19 is having on business and the record number of company insolvencies that are happening at the moment.

A company that has got into trouble can be put into liquidation, eliminating the obligation to pay creditors. As long as the directors have conducted company business honestly then they should not be personally affected.

A large business, or even a small one with employees, would usually be best set up as a company for the safety of the directors. Personal bankruptcy does not protect a self employed person from creditors.

Employment law

The main pitfall for business people who move to Spain is labour law. The endless and sometimes illogical employment legislation in Spain is without doubt a nightmare.

Spence Clarke ensures that employers are fully aware of the costly consequences of getting employment matters wrong. We have our own specialist labour department and handle all labour matters for our clients with the expert back up of a top firm of labour lawyers.

Whether you set up as self employed or an SL company, this is all quite straightforward, as long as you have a competent accountant on your side. Cue Spence Clarke!

Other services

Doing business in Spain is not just about business accounts and tax. Spence Clarke is also much in demand for its personal tax department. This department deals with all the personal tax obligations of Spanish residents and non resident individuals.

The famous bureaucracy of Spain needs special treatment and an entire profession, the Gestoría, has grown up in Spain to cope with this. Spence Clarke has a dedicated gestoría department, to deal with applications for residencias, tax residencias and driving licences, and we can even help with registering births, car registrations and a myriad of other requirements in Spain.

All our staff understand that communication with clients is essential, providing a high quality service and Spence Clarke make sure that regular contact is made with all clients, to keep them fully updated on their tax and accounting obligations.

We know how hard it is to set up and run a business in a foreign country. We also know that our clients need to spend their time concentrating on their business and not worrying about taxation and accounting matters. So that's why we make things as easy as possible for them to do this.

Why not come on board, at least make contact for a chat with one of our consultants. We don't make any charge for initial enquiries so you've got nothing to lose and you might find it very useful indeed!

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