

AUXADI

SPAIN

COUNTRY FILE - 2019







# SPAIN

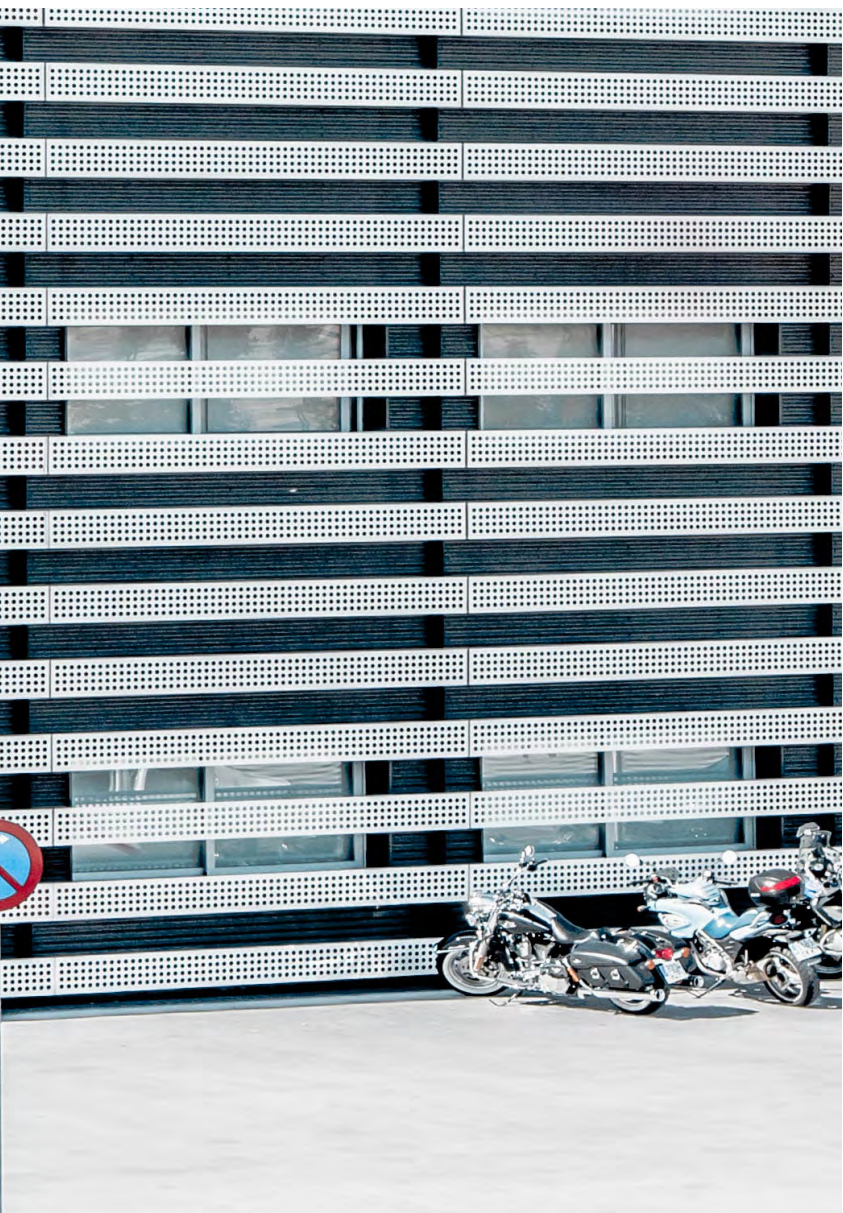
Spain is one of the world's great economic powers: it is the fifth largest economy in the European Union and the sixth largest recipient of Foreign Direct Investment globally, according to the World Investment Report. It ranks 30/190 in terms of Ease of Doing Business in the World Bank's Doing Business 2019 score.

Spain's attractiveness for foreign investment lies not only in its domestic market, but also in the possibility of operating with third markets from the country. In fact, Spain occupies a privileged geostrategic position within the European Union which facilitates access to a market of 1,900 million potential clients throughout the EMEA region (Europe, Middle East and Africa) and also constitutes an excellent platform for developing business with Latin America, thanks to its strong economic, historical and cultural ties with the latter.

Spain is a modern knowledge-based economy where services represent 69.6% of economic activity. It is a centre of innovation favoured by the existence of a highly qualified young population with competitive costs. The sectors of renewable energies, biotechnology, pharmaceuticals, transport and technological SMEs are consolidated as its greatest strength. The industrial sector accounts for 12.7% of GDP, while agriculture represents 4.4%. It should be noted that Spain is the world's largest producer of olive oil and the third largest producer of wine.

Equally noteworthy is Spain's role in the infrastructure sector: it is the first EU country in terms of the number of kilometres of high capacity (motorways and dual carriageways), which makes it one of the most important centres for the transport of goods and people.

In 2019 the Spanish economy continues to move, mainly led by domestic demand and a growth rate of 0.7% in private consumption, as well as exports of non-tourist services. Equally important, the labour market maintains the dynamism of the end of 2018, with an unemployment rate forecast for 2019 of 13.8% compared to the 15.35% rate of the previous year and stability in inflation, after having overcome the upturns caused by the rise in the price of energy in 2018. For all these reasons, Spain's growth is estimated at 2.2% of GDP by 2019 and at 1.9% by 2020.



## Spain: country overview



**30<sup>th</sup>**

Ranked on the World Bank's Ease of Doing Business Index



**M\$ 1,437,005**

Gross Domestic Product



**\$ 30,985**

GDP per capita



**97%**

Public debt, as percentage of the GDP



**46,439,864**

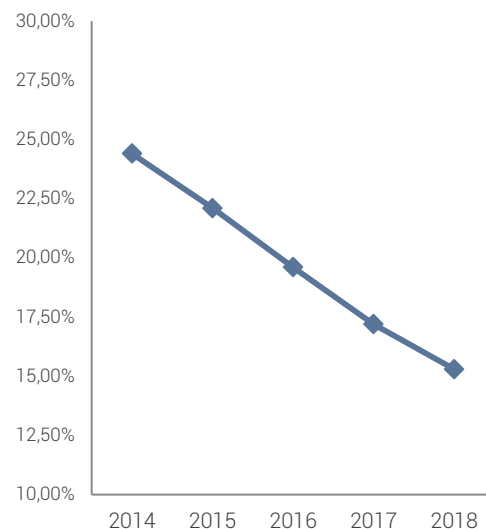
Population





# 15,3%

Unemployment rate



## Main Economic Areas



**Manufacturing**



**Energy**



**Construction**



**Transport and storage**



The estimated time to set up a company is 13 days. The S.A. and S.L. are the most common corporate structures. In Spain there are no restrictions for making foreign investments in strategic sectors.

# 13

days



The minimum inter-professional wage (SMI) is US\$1,026/month. The labor market in Spain is highly regulated, under the Spanish Constitution and Royal Legislative Decree 2/2015 of 23 October, which approves the revised text of the Workers' Statute.

# 1,026

US\$/month



Spain is a member of the OECD and has signed 103 agreements to avoid double taxation; 94 of them are in force. The other 9 are in different stages of processing. The general tax rate for Spanish Corporation Income Tax (IS) is 25%. There is a minimum rate of 15% for newly created companies.

# 25%

**Corporation  
Income Tax**



The Spanish Accounting Regulations (SPGAAP as its acronym in Spanish) is similar in many aspects to IFRS since Royal Decree 1514/2007 of November 16th entered into force through which the Accounting General Programme (NPGC as its acronym in Spanish) was passed.

# SPGAAP



## Foreign investment

As a general rule, investments coming from a foreign country are declared in Spain once they have been carried out. The aim is to provide information to the Administration, for statistical purposes, about the foreign investments in the country.

Though there are no restrictions on foreign investment in strategic sectors, except for activities directly related to national defense, there are many sectorial regulations. For example, aerial transport, games, television, and certain raw materials are all regulated industries.

Additionally, liquidation of foreign investments in Spain must be declared. This declaration of liquidation is the same as that of the declaration of foreign investment, which is for a matter of statistical purposes.

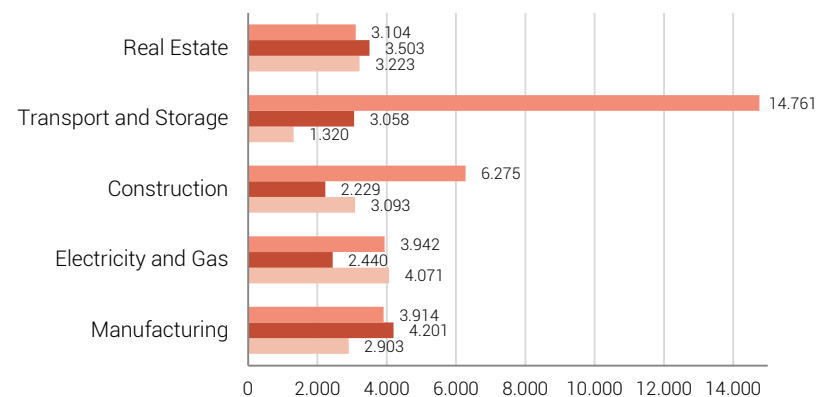
The declaration of foreign investments and, or liquidation of assets, are generally declared before the notary public that has participated in the operations, either as a consequence of its legal framework or by conventional agreements between the parties. This notary public should remit, within the timeframe allotted, all operational information to the relevant registrar.

In addition to the foreign investment and disinvestment in Spain, every year and triggered by economic thresholds, the maintenance of the aforementioned investments shall also be declared through the corresponding forms.

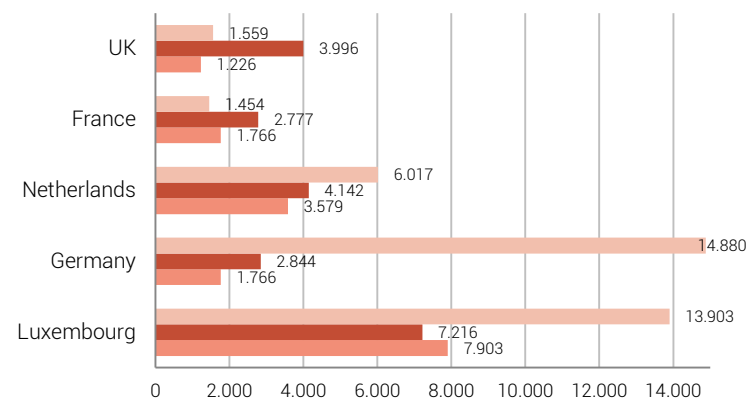


**In Spain, there are no restrictions on foreign investment in strategic sectors—except for activities directly related to national defense—even though there are many sectorial regulations to be taken into consideration**

## Foreing Invest by sector



## Foreing Invest by country



■ 2016 ■ 2017 ■ 2018



### Types of corporate structures

The Spanish legislation regulates different types of corporate structures, the following being the most common among them.

	SOCIEDAD DE RESPONSABILIDAD LIMITADA (SL)	SOCIEDAD ANÓNIMA (SA)
CAPITAL	Established by the participants in the nominative participations. Minimum social capital of 3,000 Euros, fully paid out.	Established with partners' own resources by the form of bearer or nominative shares. Minimum social capital of 60,000 Euros, paid out in a 25%.
PARTNERS	At least 1, either natural person or legal entity.	At least 1, either natural person or legal entity.
RESPONSABILITIES OF THE PARTNERS	Limited to the paid-in capital. Joint and several liability of the partners up to the total amount of the social capital.	Limited to the price paid for the shares.
ADMINISTRATION	Director(s) and/or Board of Directors stated in the public deeds, (at least 1, maximum of 12, except for the Board, where the minimum would be 3) with unlimited period of management, except in case of establishment of a determined period.	Director(s) and/or Board of Directors stated in the public deeds, (at least 3 directors with no maximum limit) and Shareholders' Meeting. Duration of the position: a maximum of 6 years, with possibility of being re-elected for periods of the same duration.
NON-MONETARY CONTRIBUTIONS	It is not necessary to subject the valuation to an expert report. Joint and several liability of the founders for the authenticity of the contributions.	Valuation by an expert report.
STATUTORY MODIFICATIONS	Fewer formalities than the Public Limited Company (a press publication is not required). Authorised capital increase: no report is required. In exchange, joint and several liability of partners and directors.	It requires the compliance with more formalities (for instance, press publications and management board or shareholders' reports, in this case, that propose the modification). Authorised capital increase: It requires an independent expert report about the non-monetary contributions.
AUDIT	Mandatory when any 2 of the following requirements are exceeded for two consecutive fiscal years: <ul style="list-style-type: none"> <li>• Assets &gt; Euros 4,000,000</li> <li>• Business Figure &gt; Euros 8,000,000</li> <li>• Average number of employees &gt; 50</li> </ul>	Mandatory when any 2 of the following requirements are exceeded for two consecutive fiscal years: <ul style="list-style-type: none"> <li>• Assets &gt; Euros 4,000,000</li> <li>• Business Figure &gt; Euros 8,000,000</li> <li>• Average number of employees &gt; 50</li> </ul>
TAX SYSTEM	There is no difference. It is the same as for the rest of tax subjects.	There is no difference. It is the same as for the rest of tax subjects.

### Approximate costs in creating a business

	PUBLIC LIMITED COMPANY	LIMITED LIABILITY COMPANY
Minimum Social Capital	€ 60,000	€ 3,000
Certificate of a corporate name	€ 16	€ 16
Corporate Books	€ 68	€ 68
Legalisation of Corporate Books	€ 32	€ 32
BORME (Official Bulletin of Registrar of Companies) publication of the registration	€ 56	€ 56
Notarial costs (approx.)	€ 600	€ 200
Registrar of Companies costs	€ 400	€ 250
TOTAL	€ 61,172	€ 3,622

## 61,172€

Public Limited Company

## 3,622€

Limited Liability Company

In Spain, other means of channeling foreign investments are:

### Subsidiary

First, it must be taken into consideration that any company that wishes to carry out their activities through an affiliate must, during their formation, governed by the same regulations pertaining to the formation of a limited liability company or a public limited company.

Nevertheless, the formation of a subsidiary provides various advantages from a legal and fiscal perspective that can be considered more attractive to potential investors who wish to establish themselves in Spain. Subsidiaries do not require minimum capital for their initial formation and the debt responsibility is unlimited, this figure does not have legal personality. It is operated by a representative, who acts as agent of the subsidiary in representation of the parent company.

### Representative Office

As a result of this lack of representation, many investors choose to being their activity in Spain as a subsidiary. In general, the representative office will be the place where management activities, trade issues, informative or advertising activities are developed without actually carrying out any activity as such. It is understood to be a first instrument through which the decision may be made to continue or discontinue with the investment. This figure has no legal personality and may not carry out business operations by itself, it operates through a representative. As in the subsidiary, if the representative office has permanent representation in our country, it must make contributions through corporate tax. If not, it will make contributions through non-resident income tax.

### Joint Venture

There are many foreign investors who elect association with other business owners who are already established in Spain. Joint ventureship allows business owners' to capitalize on local experience and knowledge of the medium in which the investors wish to establish themselves. Through this legal form, the companies share risks and combine resources giving rise to a secure entity in the different markets (UTE, AIEs).





# Labour Aspects



Spain's labour market is highly regulated under the protection of the Spanish Constitution, the Spanish Royal Legislative Decree 1/1995 of 24th March, approving the consolidated text of the Law on the Statute of Rights for Workers, and the Spanish Royal Legislative Decree 8/2015 of 30th October, approving the consolidated text of the General Social Security Act and the different collective bargaining agreements.



## Types of contracts

There are different categories of contracts in Spain. They are divided in 4 groups:

Source: Royal Legislative Decree 1/1995, Law on the Statute of Rights for Workers

	MAIN FEATURES	COMPENSATION		
		END OF CONTRACT	FOR OBJECTIVE DISMISSAL	FOR UNFAIR DISMISSAL
<b>INDEFINITE</b>	<ul style="list-style-type: none"> <li>- Indefinite duration with an optional previously agreed upon probationary period.</li> <li>- Verbal or written agreement.</li> <li>- Subject to incentives for hiring.*</li> <li>- Working day must not exceed 8 hours.</li> </ul>		20 days per year worked up to a maximum of 12 per month.	
<b>TEMPORARY – DEPENDING ON PRODUCTION CIRCUMSTANCES</b>	<ul style="list-style-type: none"> <li>- Duration determined, with a trial period option previously agreed.</li> <li>- Verbal or written formalization.</li> <li>- Subject to hiring incentives.*</li> <li>- Full or part time contract.</li> </ul>	12 days per year worked.		
<b>TEMPORARY INTERIM</b>	<ul style="list-style-type: none"> <li>- Temporary duration with an optional previously agreed upon probationary period.</li> <li>- Verbal or written agreement.</li> <li>- Subject to incentives for hiring.*</li> <li>- Working day must not exceed 8 hours.</li> </ul>			Until 02/11/2012, 45 days per year worked, limit 42 monthly payments.
<b>TRAINING &amp; APPRENTICESHIPS</b>	<ul style="list-style-type: none"> <li>- Minimum 1 year fixed term, maximum 3 years leading to the obtaining of a vocational education degree or a Certificate of Professional Standards.</li> <li>- Written agreement.</li> <li>- Subject to incentives for hiring.*</li> </ul>	No compensation at contract expiration.		After 12/02/2012, 33 days per year worked, limit 24 monthly payments.
<b>INTERNSHIPS</b>	<ul style="list-style-type: none"> <li>- Minimum 6 months duration, maximum 2 years leading to the obtaining of the appropriate apprenticeship to the level of studies of the student.</li> <li>- The employee must hold a university degree, vocational training degree or any other recognised degree.</li> <li>- Written agreement.</li> <li>- Subject to incentives for hiring.*</li> </ul>			

To know more about all the contribution discounts available visit: [https://www.sepe.es/contenidos/empresas/ayudas\\_bonificaciones/bonificaciones\\_contratos.html](https://www.sepe.es/contenidos/empresas/ayudas_bonificaciones/bonificaciones_contratos.html)

## Employee Daily Registration

On March 8, Royal Decree Law 8/2019 of urgent social protection measures and the fight against job insecurity was approved. This decree modifies the Consolidated Text of the Workers' Statute and includes an update in the legislation regarding the registration of workers' daily hours.

To date, it was only mandatory to have a record of part-time workers' work. With the new RDL 8/2019 the obligation extends to all employees of every sector, regardless of the type of contract and the size of the company. According to the Government, the objective of this rule is to encourage the proper compensation of overtime and eradicate the practice of compensating full time positions as parttime.

The Ministry of Labor, Migration, and Social Security has published a guide explaining how to properly register hours worked for employees. The guide answers a series of questions received by the General Directorate of Labor on the standard, practical application and purpose of the new regulation in three main blocks:

1. Scope and application, such as senior management and part-time workers.
  - Flexibility of times, the admission of variability in workday based on time weighting. Flexible formulas, such as teleworking in the registration of the day.
  - Temporary work companies (ETT).
2. Content and Registration System. What should this system collect and how to comply with the regulations.
3. Record keeping.

## Minimum Wage

The minimum interprofessional salary (SMI) sets the minimum compensation amount per employee per legal working day, regardless of sex or age of the workers, whether fixed, seasonal or temporary.

The value of SMI is set every year by the Government, through the publication of a Royal Decree. The determining factors for SMI include: CPI, the average national productivity achieved or the increase in the share of labour in national income. For the year 2019, the Minimum Salary is USD 34.20 / day, USD 1,026 / month and USD 14,634 / year.

## Social Security

In Spain there is a very broad legislative framework in the field of social coverage, its origin being the Spanish Constitution of 1978, under chapters II, III and IV. According to this legislative framework, various laws, decrees and regulations regarding Social Security, Pension Systems, Sustainability Factors or Social Jurisdiction have been developed.

Per this legislation, the company is obliged to establish the opening of contribution accounts, hiring, terminations, and any other pertinent variables regarding the workers. They are also required to inform the General Treasury of the Social Security, stating the Collaborating Entity, for the protection of contingencies in the case of work-related accidents and, or, illness.

Additionally, the company is responsible for submitting company and contributions to the appropriate authorities within the established deadlines.

Social Security is the main social protection system in Spain. Through this system, the state guarantees specific and individualized social benefits in case of need.

The Spanish social security system is organized in various regimes. These regimes are organized by professional activity.

- General Regime: composed of workers employed by industry and services.
- Special Regimes: established in those activities in which, due to their nature and peculiar conditions of time, place and productive processes, it is necessary for the adequate application of the Social Security benefits.
  - Special Agrarian Regime.
  - Special scheme for Household employees.
  - RETA (Autonomous).
  - Special Coal Mining Regime.



**The company is responsible for submitting company and contributions to the appropriate authorities within the established deadlines**



# Fiscal Aspects



## Investment Options

### Setting up a Company in Spain

It will be subject to Corporation Tax, paying for its worldwide income, generally 25%. There is a reduced rate of 15% for start-up companies.

### Operating by permanent representation in Spain (Subsidiary)

Income attributable to it will be subject to Non-Resident Income Tax, which refers in general to the Corporate Tax regulations and the general rate of 25%.

### Operating without a permanent establishment in Spain

It will be subject to Non-Resident Income Tax, with the general rate being 24%, 19% in the European Union. There are other types applicable depending on the classification of the taxable income in the cases of application of the Agreement to avoid Double Taxation.



## Double Taxations Conventions

Spain, as a member of the OECD, has signed several conventions and agreements that offer solutions to avoid double international taxation in order to foster cultural, commercial, and financial relations among Member States. It is important to note these Double Taxation Conventions take precedence over the domestic law. These Conventions are based on the Principle of Non-Discrimination, the Mutual Agreement Procedure and the Principle of Exchange of Information.

Below are the countries that either have entered into a Double Taxation Convention or an Agreement to Exchange Information of fiscal and tax relevance with Spain:

• Albania	• Croatia	• Ireland	• Oman	• Thailand
• Algeria	• Cuba	• Israel	• Pakistan	• Trinidad
• Andorra	• Cyprus	• Italy	• Panama	• and Tobago
• Argentina	• Denmark	• Jamaica	• Philippines, The	• Tunisia
• Armenia	• Dominican Republic	• Japan	• Poland	• Turkey
• Australia	• Ecuador	• Kazakhstan	• Portugal	• Countries of the former U.S.S.R
• Austria	• Egypt	• Kuwait	• Qatar	• United Arab Emirates
• Barbados	• El Salvador	• Latvia	• Romania	• United Kingdom
• Belgium	• Estonia	• Lithuania	• Russian Federation	• United States of America
• Bolivia	• Finland	• Luxembourg	• Saudi Arabia	• Uruguay
• Bosnia [Herzegovina]	• France	• Macedonia	• Senegal	• Uzbekistan
• Brazil	• Germany	• Malaysia	• Serbia	• Venezuela
• Bulgaria	• Georgia	• Malta	• Singapore	• Vietnam
• Canada	• Greece	• Mexico	• Slovakia	
• Czech Republic	• Hong Kong	• Moldova	• Slovenia	
• Chile	• Hungary	• Morocco	• South Africa	
• China	• India	• Netherlands	• South Korea	
• Colombia	• Indonesia	• The New Zealand	• Sweden	
• Costa Rica	• Iran	• Nigeria	• Switzerland	
	• Iceland	• Norway		

Countries with Agreement under Processing: Azerbaijan, Bahrain, Belarus, Cape Verde, Montenegro, Namibia, Peru, Syria, Ukraine.

Source: Spanish Tax Administration (AEAT) Website

## Main Types of Taxes

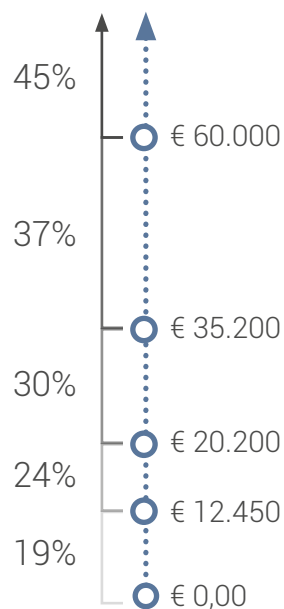
For more information, the Spanish Tax Administration offers a public calendar on its official website:



### Personal Income Tax (IRPF)

The *Impuesto sobre la Renta de las Personas Físicas (IRPF)* is the most important personal income tax in Spain. Of a general and progressive nature, its purpose is to support public services in line with the economic capacity of every individual. This direct tax has been partially devolved to the Spanish Regions and is applicable nationwide notwithstanding the respective regional tax systems in the Historic Territories of the Basque Country and the Chartered Community of Navarre, and the special systems of the Canary Islands, Ceuta and Melilla.

The *IRPF* or PIT is a progressive tax with both credits and deductions. Its taxable event is the Deduction for Gainful Earnings (*obtención de Rendimientos del Trabajo*), Return on Investment (*Rendimiento del Capital*), Income from Economic Activities (*Actividades Económicas*), Return on Equity (*Ganancias o Pérdidas Patrimoniales*) or Allocation of Income (*Imputación de Rentas*). It excludes any income derived from business activities or income from inheritance or donations. Companies are held responsible for withholding tax on behalf of their employees as well as making the payment of the withheld amounts within the established deadlines. Below are the different withholding rates applicable beginning on the 1<sup>st</sup> of January 2019:



### 25% Corporate Tax

The tax base is constituted by the accounting result of the company or of the civil societies with a commercial purpose, the adjustments to the same indicated in the tax law must be made, and the compensation of negative tax bases of previous years is allowed, limited to 70% of the previous tax base, with a minimum amount of 1.14 million USD / 1 million euros.

As a rule, the tax criteria for allocating income and expenses coincide with the accounting criteria. If the accounting criteria does not coincide with the fiscal one, the corresponding adjustment to the accounting result will be made in the declaration of the Corporation Tax (i.e. installment transactions, impairments, etc.).

There are non-tax-deductible expenses, such as dividends, liberalities, fines, surcharges or penalties or expenses for operations carried out with persons or entities resident in tax havens (unless the reality of the operation is proven), etc. The accounting depreciation, meanwhile, will be deductible up to the limits set in the tax regulations.

There is a limitation on the deduction of financial expenses.

On the other hand, there are deductions for carrying out certain activities (such as R&D and technological innovation).

**15%** Newly created companies will have a reduced rate of 15%.



**25%**

With PE

**19%**With PE  
additional**24%**Without PE  
general**19%**Without PE  
in the UE**19%**Without PE  
additional

Non-resident natural or legal persons operating in Spain through a Permanent Establishment (Branch in Spain) will be taxed for the income attributable to it, in a manner very similar to the companies incorporated in Spain. The rules for determining the tax base are in accordance with the provisions of the Corporation Tax, with adaptations. Such as the non-deductibility of some of the payments made to the central house or other permanent establishments thereof. The general tax rate will be 25%, and additionally, the amounts transferred abroad will be taxed with a 19% charge to the income obtained by EPs.

In case of operating without EP, it will be taxed separately for each total or partial accrual of income obtained in Spanish territory, the taxable amount being, in general, the full amount of the income obtained. The general tax rate is 24% and the tax rate applicable to dividends, interest, capital gains and capital gains is 19%. The taxed rate for income of the European Union is 19%.

### Non-Resident Income Tax (with and without permanent establishment)

### Business Tax

Type based on parameters such as location, surface, activity.

This local tax is levied on business, professional and artistic activities carried out in Spain. Natural persons (resident and non-resident) are currently exempt from this tax as well as taxable businesses that start operating in Spain during their first two financial years. Taxable companies for Business Tax with a net turnover below one million euro are also exempt. Companies taxable under the Income Tax for Non-Residents shall be exempt from the Business Tax provided they operate with a Permanent Representation. Companies operating without PR shall not benefit from such exemption.

This tax levies certain operations, such as certain public deeds, second and subsequent transfers of real estate or corporate operations. It should be noted with respect to the latter that they are currently exempt from taxation for the concept of "corporate operations", the incorporation of companies, the capital increase, the contributions made by partners that do not involve a capital increase and the transfer to Spain of the headquarters effective management or registered office of a company when neither were previously located in a member state of the European Union.

### Tax On Asset Transfers and Legal Documents

General Tax on Asset  
Transfers: **6%**  
General Company  
Transactions: **1%**  
Legal Documents:  
**Variable**

### Value Added Tax (VAT)

**21%**  
General

**10%**  
Reduced

**4%**  
Super reduced

The VAT regulation in Spain is in line with European regulations, with a general rate of 21% and reduced rates of 10% and 4% for certain operations and products.

In general, VAT is a neutral tax, and the VAT paid can be deducted from the VAT charged. The settlement period is quarterly, being monthly for large companies. In addition, there is the possibility of benefiting from the monthly refund of the existing favourable balance (REDEME) as well as the special regime of the group of companies and special regime of the cash criteria.

## Transfer Pricing

### Regulations

Spanish regulations are based on the OECD Guidelines and the Corporate Tax Law (Law 27/2014) and its regulatory development (Royal Decree 634/2015).

### Arm's Length Principle

Las operaciones realizadas entre partes vinculadas deben valorarse igual que si lo hubieran hecho partes independientes en las mismas condiciones.

**1. Obligation to file taxes.** In the presentation of the annual declaration of the Corporation Tax, taxpayers must provide certain information related to their related operations when all the operations per related entity, of the same type and valuation method, are equal to or exceed USD 285,000 / € 250,000 (Except for specific operations whose limit is USD 114,000 / € 100,000).

Among the different cases in which the relationship is legally determined, it is worth mentioning that of partners with participations of at least 25%, or that of the entities that form a group in the terms of art. 42 of the Commercial Code.

**2. Submission deadline for the Corporate Income Tax return.** The presentation of the declaration must be made in the month following 10 months after the end of the tax period in reference to the information provided.

**3. Obligation to produce documents on Transfer Pricing.** When the consideration of all operations carried out with a related entity is at least USD 285,000 / € 250,000, taxpayers must prepare the transfer pricing documentation. This documentation is composed of group documentation (master file) and taxpayer documentation (local file).

These obligations are simplified for cases of groups with a turnover of less than USD 51.3 million / € 45 million, and the country-by-country report is created for the large Spanish multinationals.

**4. Deadline for the exhibition of the documents.** The documents on transfer pricing shall be made available to the public Administration from the end of the tax return filing.

**5. Fines.** This documentation may be required by the Spanish administration, with applicable penalties of USD 1,140 / € 1,000 per data and USD 11,400 / € 10,000 per set of omitted, inaccurate or false data.

### Pre-Agreements

Local Administrations accept cost sharing agreement that allow benefit from tax credits on costs allocated to local authorities. Nevertheless, those costs must be marked at the market value and must comply with local regulations. These pre-agreements with the local administration include one-side, bilateral and multilateral valuations.

### Accepted Methods

The comparable uncontrolled price method, the cost-plus method, the resale-minus method, the result allocation method and the overall transactions net margin method.

As with the OECD Guidelines, traditional methods are encouraged. The new law eliminates the preference for the use of certain methods and other methods are now accepted provided that it is not possible to apply any of the abovementioned methods.





# Accounting Aspects



In many ways, Spanish accounting regulations (SPGAAP) are similar to International Financial Reporting Standards or IFRS since the entry into force of the Royal Decree 1514/2007 of 16th November approving the Spanish National Chart of Accounts (NPGC). Since 2008, all companies regardless of their legal, individual or corporate form are obliged to follow these accounting regulations.

Similarly, all companies are subject to the accounting provisions of the Commercial Code, the Corporation Act, all regulations developed and set forth by the Institute of Accounting and Account Audits (ICAC) as well as any other related specific legislation. These Principles and Accounting Standards will reflect the true and fair image of the equity, its financial situation and the accounting results of the Company so that the different stakeholders are able to make their own economic decisions.

Small and Medium Sized Companies (PYMES) may choose to apply the specific Charts of Accounts for such companies. The Conceptual Framework is the same as the general one but some accounting principles are simplified.

Due to the enforcement of the European Union regulations, the IFRS principles are only applied to the Consolidated Annual Accounts. For certain specific industries such as banks, insurance companies, collective investment institutions or the public sector, the accounting principles and standards are governed by supervisory bodies such as the Bank of Spain, the Directorate General of Insurance or the National Securities Market Commission.

## Minimum Obligations

In Spain, accounting has two clearly differentiated aspects:

On the one hand, it serves as an instrument of information for actors external to society such as investors and analysts or internal actors such as administrators and managers.

On the other, it serves as a basis for liquidation and presentation in direct taxation, as well as income derived from the development of economic activities.

These two aspects highlight the importance of compliance with the accounting regulations. Non-compliance could result in liability such as administrative offences, tax violations, tax offences and/or criminal offences.

Accounting in Spain is based on the dual or dual-entry method that classifies the company equity in standardised equity elements divided into assets, rights and obligations, represented in as many accounts as there are elements that make up the company equity.

The Conceptual Framework of accounting in Spain is divided into:

1. Balance Sheet (Balance), as the accounting document representing the Equity.
2. Profit and Loss Statement (Cuenta de Pérdidas y Ganancias), as the accounting document that displays the accounting result of the activity of the Company within an stated period.
3. Statement of Changes in Equity (Estado de Cambios en el Patrimonio Neto), as the accounting document that records all the changes occurred in Equity.
4. Statement of Cash Flows (Estado de Flujos de Efectivo).
5. Annual Report (Memoria Anual).
6. Annual Accounts (Cuentas Anuales), as the accounting document combining the balance sheet, the Profit and Loss Statement, the Statement of Changes in Equity, the Statement of Cash Flows and the Annual Report.

The accounting books are the physical documentary support of the company's bookkeeping. The compulsory accounting books for all companies and business owners are:

1. General Journal (*Libro Diario*).
2. Inventory Book and Annual Accounts Book (*Libro de Inventarios y cuentas anuales*).

Both the Annual Accounts and the Official Accounting Books must be published and registered at the Registrar of Companies nearest to the company's legal address. This information is public and it available to any interested party.

The Annual Accounts and the Official Accounting Books may be presented on paper or in electronic format through the Internet. It is not required for these books to be signed by a legally accredited accountant or by a chartered accountant. Both the Annual Accounts and the Official Accounting Books must be signed by the company directors.

## Audit and Consolidation Obligations

Not all companies in Spain must be audited. In order for a Company to be audited by an independent auditor, it should prepare its Annual Accounts in their full, non-abridged version. Audited companies must include the External Auditor Report within the Annual Accounts and shall be published and registered at the Registrar of Companies.

The obligation to prepare the Annual Consolidated Accounts is subject to the fulfillment of certain requirements set forth by the Royal Decree 1159/2010 containing the Annual Accounts Act for the preparation of Annual Consolidated Accounts (Normas para la Formulación de las Cuentas Anuales Consolidadas (NOFCAC).

The parent company is obliged to prepare the Annual Consolidated Accounts in those cases when the control or the presumption of control make it compulsory to prepare those annual accounts. Such control may be direct, indirect, horizontal, triangular, circular or radiated.

Companies issuing securities admitted to trading in a regulated market in any Member State of the European Union also have the obligation of filing consolidated financial statements. Nevertheless, if, due to their size, the controlling company is, in turn, a subsidiary of another parent company or the investee companies are not significant enough to show a true and fair image of the equity, the controlling company shall be exempt from the obligation of consolidation.

The consolidation methods are:

1. Global integration for subsidiaries.
2. Proportional integration for multi-group companies.
3. Equivalence.







# AUXADI

Accounting, tax and payroll services in more than 50 countries

## International Corporations

We help our domestic and foreign clients with their internationalization process, by becoming an extension of their Financial-Administrative departments abroad.

We serve more than 600 clients from different sectors, including - Finance, Energy, Pharmaceuticals, Technology and Communications, Industry, Consumer Goods, Professional Services.

## Real Estate

Responsible for the Corporate Management of investment structures totaling nearly 7 billion USD of assets under management from the creation of a holding structure in Luxembourg to the construction phase of an SPV in Europe and Latin America, by offering solutions in Accounting, Reporting, Tax Compliance and Board Membership.



# AUXADI

International expansion services  
under a single IT platform



## International Coverage with local expertise

Through our 15 subsidiaries  
and our partner network



## Consistency in the execution

Same processes and same quality with our IT Platform,  
Multicountry management and International Desks



## Single Point of Contact

Thanks to our Multicountry Managers in  
the KAM Hubs of Madrid and Chicago

## KEY ACCOUNT MANAGEMENT HUBS

- Madrid
- Chicago

## SUBSIDIARIES

- Spain
- France
- Ireland
- Italy
- Luxembourg
- Portugal
- Netherlands
- Morocco
- Brazil
- Chile
- Colombia
- Ecuador
- Mexico
- Panama
- Peru
- USA

## INTL DESKS IN SPAIN

- France
- Italy
- Hungary
- Poland
- Argentina
- Bolivia
- Brazil
- CA & Caribbean
- Chile
- Colombia
- Ecuador
- Mexico
- Peru
- Venezuela
- USA



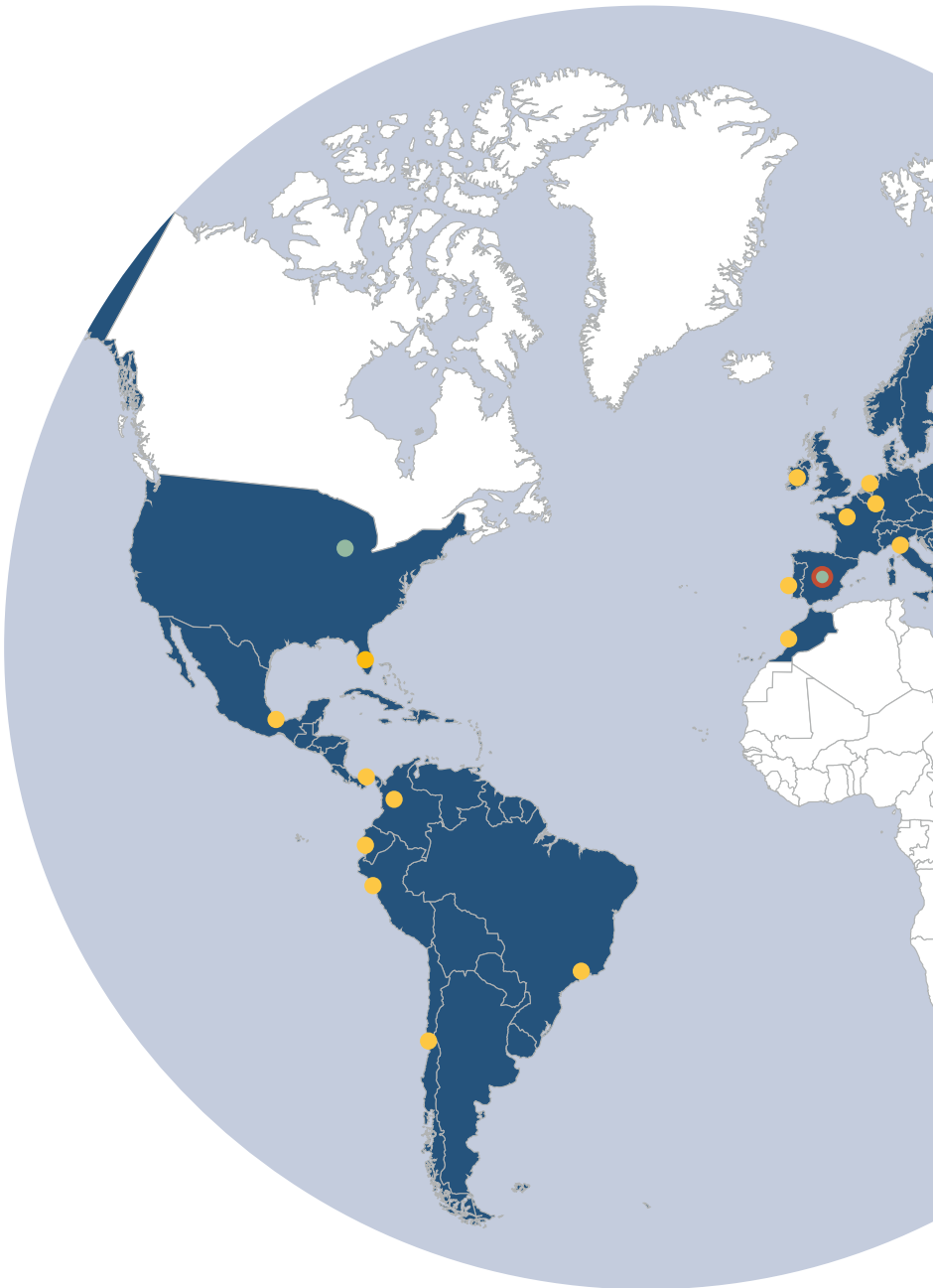
16

Fully operating  
subsidiaries



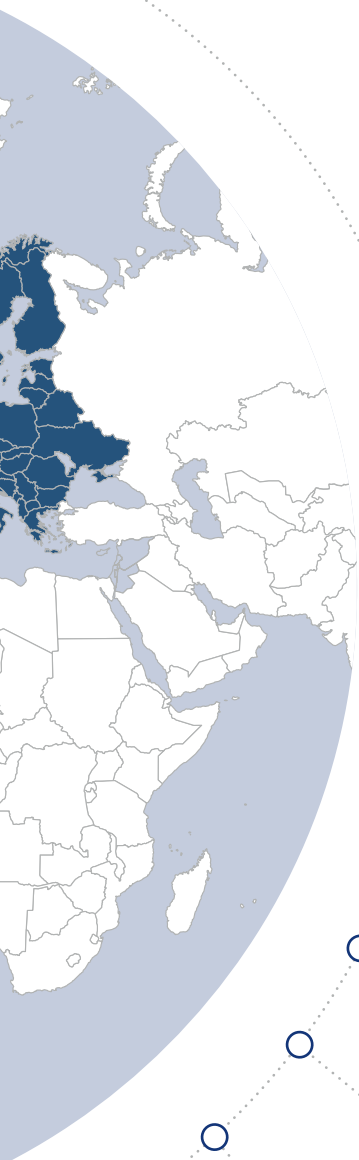
+50

Countries currently  
being served



## Services

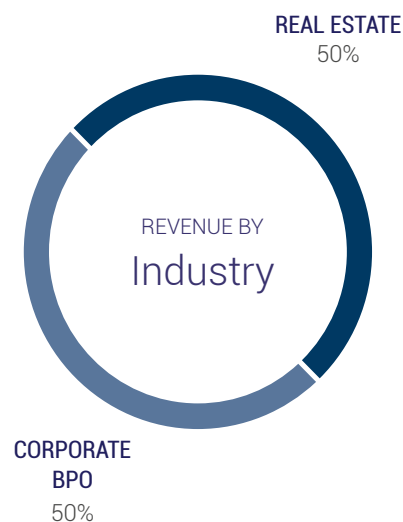
We assure same processes with the same quality, in all countries where we operate, based on our Multicountry IT solution, with localizations in 50 jurisdictions, our homogeneous methodology and our International Desks.

- 
- ACCOUNTING
  - REPORTING
  - CASH MANAGEMENT
  - CONSOLIDATION
  - TAX COMPLIANCE
  - CUSTOMS AND INDIRECT TAXES
  - PAYROLL
  - STAFFING

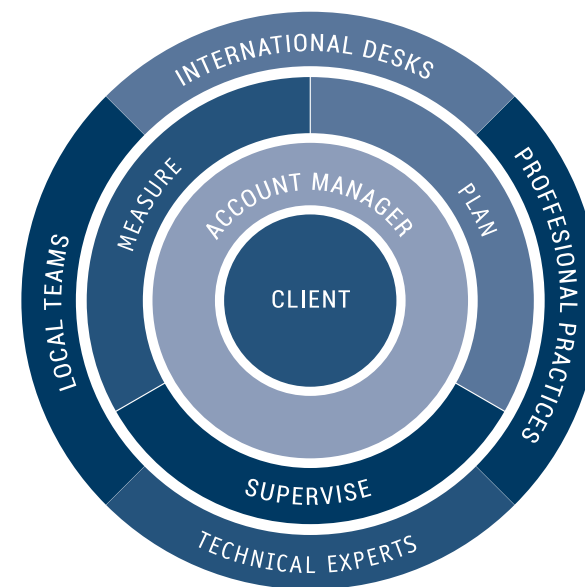
## Industries

We offer our services to clients from different industries but mainly focused in Real Estate.

REAL ESTATE  
FINANCIAL INDUSTRY  
ENERGY  
PHARMACEUTICAL  
TECNOLOGY & TELECOMMUNICATIONS  
INDUSTRIAL  
PROFESSIONAL SERVICES  
RETAIL & WHOLESALE



## Service Model



**25M USD**

Turnover in 2019



**+1.000**

Clients



# AUXADI

Same processes,  
same methodology  
in all jurisdictions under  
the same online platform

Imagine having all the applications that you manage in your day to day job, in a single, cohesive platform allowing you to standardize and consolidate all of your processes and data, integrating procedures, people and results.

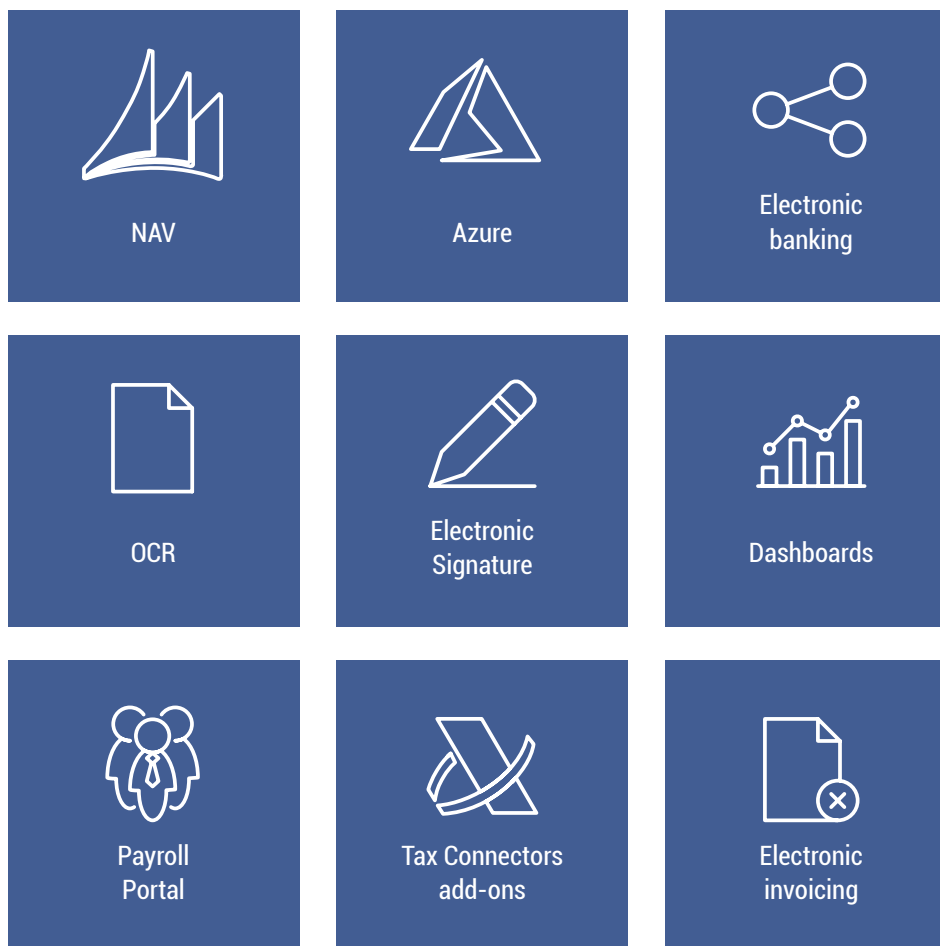
Auxadi's IT Platform is a solution based on Microsoft technology that complies with the GDPR. It includes Dynamics NAV, Power BI, Outlook, Excel, Word, as well as a powerful document management tool.

Enter our ecosystem of plugins and features to optimize your financial function.

Gold  
Microsoft  
Partner







## Certifications / Security



Microsoft Office 365 and Azure presents the highest security level, according to the National Security Scheme.



Office 365 and Azure incorporate security measures that offer customers a HIGH level of security in accordance with the GDPR Regulation



Microsoft holds the ISO 27001/27018 certifications or the Resolution TI / 32/2014 of the AEPD

An online platform, customized, without expensive implementation costs and delays

**ONLY 10 DAYS FOR THE SET-UP**  
Available to manage your international subsidiaries



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Auxadi can become the ideal partner for your investment in Spain. From our offices located in Madrid, we offer value-added outsourcing solutions in the areas of accounting, reporting, tax compliance, payroll management and representation services, among others. Count on our professionals and our extensive experience in the Spanish market for your investments in Spain and other countries in Europe and Latin America.

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