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Business in Spain

Spain has been a member of the European Union since 1986 and joined the eurozone in 1999, with the euro becoming the physical currency in circulation in 2002. As a member of the Organization for Economic Cooperation and Development (OECD), Spain includes information exchange clauses in its international tax treaties to promote transparency and ensure compliance among participating states.

Spain's exchange control policy is largely characterized by deregulation, particularly concerning the foreign exchange regime and foreign investments. Nevertheless, certain reporting requirements must still be observed.

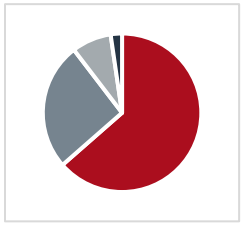
Generally, foreign investments in Spain are subject to reporting obligations only after the investment has been made. Capital movements and exchange controls are fully liberalized, providing investors with significant freedom across all sectors of the economy.

Population

= 5 million

49,07 M

GDP Breakdown by Sector (2023)



- Services (68.6%)
- Industry (28.12)
- Agriculture (2.5%)
- Others (8.72%)

Currency

Euro (€)

Foreign Direct Investment Inward Flow (2023)

28.215 M€

GDP Growth (2024)

3%

Business Climate

Spain is one of Europe's leading economies, recognized for its openness to trade and economic dynamism. Since the COVID-19 crisis, Spain has consistently outperformed the growth rates of its European peers, recording above-average economic expansion. In 2024, Spain's GDP grew by 2.5%—five times the European average—according to data from the National Statistics Institute (INE).

With a GDP of €1.6 trillion, Spain ranks as the fourth-largest economy in the European Union and the fourteenth-largest globally. The country has also established itself as a top destination for international investment, ranking 13th worldwide in foreign direct investment (FDI) inflows. In 2023 alone, Spain attracted €28.215 billion in FDI, underscoring its strong appeal to global businesses.

Spain hosts more than 18,366 foreign companies, reflecting its status as a premier business hub. Furthermore, 70 of the top 100 companies listed in the Forbes Global 2000 operate in Spain, highlighting the country's strategic importance to multinational corporations.

Strategic Market Access

Spain serves as a strategic gateway to the markets of the European Union, North Africa, the Middle East, and Latin America. Its domestic market offers a solid and diversified consumer base, with a population of 49.07 million. This is further enhanced by nearly 94 million international visitors in 2024—a new all-time record—which reinforces Spain's position as one of the world's most attractive and dynamic tourist destinations.

European Market: Spain offers unrestricted access to the European Union, home to over 500 million consumers with the highest purchasing power in the world.

Access to Latin America: Spain's strong cultural and economic ties with Latin America make it an ideal platform for business expansion into the region, offering access to a market of over 600 million consumers.

MENA Region: Spain also provides strategic access to the Middle East and North Africa (MENA), a region with a combined population of approximately 500 million consumers.

Spain's Economic Outlook: 2024 and Beyond

According to the European Commission's 2024 economic forecast, Spain's economy is expected to continue its robust expansion. GDP is projected to grow by 3.0% in 2024, followed by 2.3% in 2025 and 2.1% in 2026. This growth is largely driven by strong consumer demand, a resilient labor market, and sustained investment in key sectors such as renewable energy, technology, and infrastructure.

Key economic projections

Inflation: Forecast to decline progressively—2.8% in 2024, 2.2% in 2025, and stabilizing at 2.0% in 2026.

Unemployment: Expected to improve gradually—11.5% in 2024, 11.0% in 2025, and 10.7% in 2026.

Public Deficit: Estimated at 3.0% of GDP in 2024, decreasing to 2.6% in 2025 and 2.7% in 2026.

International Trade

Spain has been a member of the World Trade Organization (WTO) since 1995. As part of the European Union, it applies the EU's Common External Tariff to imports from non-EU countries.

Under EU legislation, certain goods are subject to specific commercial requirements, including import licenses, agricultural, veterinary, or phytosanitary certificates, and pharmaceutical documentation. The absence of these documents can result in significant delays at customs and, in some cases, temporary immobilization of the goods.

It is mandatory to appoint a customs representative to manage the import procedures. Additionally, non-EU importers must designate a fiscal representative responsible for handling import VAT, the recovery of which is subject to regulatory conditions.

Trade Agreements

The European Union has signed numerous free trade agreements with individual countries and regional associations, providing improved mutual market access.

Spain, in turn, has entered into nearly 90 bilateral agreements aimed at protecting foreign investments from these signatory countries, offering a stable legal framework and safeguards for international investors.

Foreign Trade Zones

Spain hosts several Free Trade Zones (FTZs) across the mainland, islands, major airports, and seaports. These zones provide logistical advantages and tax incentives, facilitating international trade and operations for foreign companies.

Foreign Direct Investment Policy

As an EU member, Spain adheres to the principles of free establishment and non-discrimination, allowing foreign investors to operate under the same conditions as domestic businesses. The Spanish government actively promotes foreign investment through a range of supportive measures, including tax incentives, grants, and development programs. These initiatives position Spain as an attractive destination for international investment, particularly in strategic sectors such as technology, renewable energy, and infrastructure.

Spain is the world's 14th largest economy in terms of Gross Domestic Product (GDP) and the 4th largest in the European Union.

Tax Regime

The main direct taxes applicable in Spain are:

Corporate Income Tax (CIT): This applies to entities that are tax residents in Spain, being taxed on their worldwide income. An entity is deemed to be a tax resident in Spain for CIT purposes if it has been formed in accordance with the Spanish law, or if it has its registered office or effective place of management in Spain. The general CIT tax rate is 25%.

From January 1st, 2025, the tax rate for SMEs and microenterprises will be gradually reduced:

New taxable CIT rates applicable to SMEs and micro-enterprises		Tax periods starting in			
		2025	2026	2027	2028 and beyond
Micro-enterprises	Taxable income up to EUR 50.000	21%	19%	17%	
	Excess over EUR 50.000	22%	21%	20%	
SMEs	Excess	24%	23%	22%	21%

Holding companies will not be eligible for these reductions. For groups of companies, total turnover will be considered for the purpose of applying their reduced rates.

Participation Exemption Regime: In Spain, it is possible applying a 95% CIT exemption should the so called Participation exemption (PEX) regime applies This special regime may allow reducing the tax to 1.25% if certain requirements are met: i) The Spanish company holds ≥5% of the subsidiary for ≥1 year and ii) Foreign subsidiaries are taxed at ≥10% or in a treaty country with an exchange of information clause.

Should the conditions to apply for PEX are not met, in such a case, the 25% tax applies, although an international tax credit may be applied in order to mitigate double taxation.

ETVE: The ETVE regime in Spain provides a 95% exemption on dividends and capital gains of domestic or foreign subsidiaries and no withholding tax for dividends and capital gains derived by non-resident partners.

In order to qualify for this regime, the company must have a minimum holding of 5% for one year and the foreign subsidiaries must be subject to a tax similar to the Spanish corporate tax with a minimum rate of 10% or be located in a country with a double taxation treaty with Spain.

In addition, the ETVE must actively manage its investments and not be a shell company, it should have the necessary resources and although a specific legal form is not required, a Sociedad Limitada (SL) is commonly used. The regime is optional and must be communicated to the Spanish Tax Agency.

- Personal Income Tax: PIT applies to individuals who are tax resident in Spain. PIT taxes worldwide income. Taxable income in PIT is classified either in the general tax base (employment and rental income) or savings tax base (interest, dividends, capital gains derived from the transfer of assets)

- The general tax base can range a progressive tax rate from 19% to 54% (may change depending on the region) and the saving tax base applies a progressive tax rate of 19% to 30%.

Individuals are also subject in Spain to Wealth Tax and Inheritance and Gift Tax.

Beckham regimen: This special regimen also known as Beckham Law provides beneficiaries with different tax advantages, mainly being taxed according to fixed tax rates (24% up to EUR 600.000 and 47% for EUR 600.000 onwards) and leaving as tax exempt in Spain any saving income sourced outside Spain during the application of the tax regime.

From a Wealth Tax perspective, beneficiaries of this special tax regime are exclusively tax liable in Spain for the goods and assets hold in Spanish territory (this criterion would also apply for the Large Fortunes Tax).

In order to qualify for the special regime, the taxpayer has to comply with different requirements, among others, not having been deemed as a tax resident in Spain for the previous 5 years to that when the special tax regime is requested.

Further to the time requirement, it should be noted that it is necessary that the arrival of the taxpayer into Spain is related to any of the scenarios foreseen by Spanish PIT Law, mainly:

- Being hired by a Spanish entity.
- Being appointed as Director in a Spanish entity (with certain limitations in case of wealth entities).
- Work on a remote basis for a foreign employer.
- Carrying out an economic activity in Spain that qualifies as an entrepreneurial activity.
- Rendering services as highly qualified professional under certain circumstances.

Additionally, to the different scenarios mentioned above, since 2023 it is also feasible the application of this Special Tax Regime to the taxpayer's spouse and children under the age of 25, as long as certain requirements are met.

- **Non-Resident Income Tax:** Individuals and entities non-resident in Spain which do not operate through a permanent establishment in Spain, are tax liable in Spain, exclusively for the income and gains sourced in Spain. In order to determine how non-residents should be taxed in Spain, it should be determined whether or not the non-resident has a permanent establishment in Spain.

  General tax rate for Non-residents is 24% (19% for EU tax residents). However, a 19% rate will apply to saving income and capital gains.

  Non-resident entities operating in Spain through a Permanent establishment will be subject to tax in Spain at the general CIT rate of 25%.

The main indirect taxes applicable in Spain are:

- **Value-Added Tax (VAT)*:** Commercial supplies of goods and/or services, as well as imports and intra-EU acquisitions of goods, will be subject to Spanish VAT with the standard rate of 21%. Reduced tax rates (10% and 4%) and specific exemptions will be applicable depending on the nature of the goods or services.

  Non-EU entrepreneurs will be entitled to apply for the refund of the non-deducted input VAT under specific conditions and will be obliged to appoint a fiscal representative in Spain.

  Certain transactions are exempt from VAT (e.g., financial and insurance transactions, medical services or educational services).

- **Transfer and Stamp Tax**: This includes three modalities of taxable events, which are property transfers, corporate transactions and stamp duty. This tax may be very significant in real estate property transfers.

  Regarding the local taxes, tax on business activities is levied on the economic activity of businesses with a profit exceeding EUR 1 million. This is an annual tax paid by businesses operating in the municipality. There are other local taxes on property and the transfer of real estate properties, vehicles property, construction works, etc.

- **Excise Duties***: Alcohol, tobacco, hydrocarbons and power will be subject to excise duties.

*Note that for VAT and excise duties, Canary Islands, Ceuta and Melilla impose their own indirect taxes similar to the ones explained above.

Establishing a Business

There are two main types of companies: Sociedad Anónima (S.A.), or joint stock company, and Sociedad Limitada (S.L.), or limited liability company. Shareholder liability is generally limited to the amounts contributed to the company's equity. To set up an S.A. it's necessary to participate with the minimum capital of EUR 60,000. Limited liability company is the most common type of business organization for non-listed companies. The minimum capital required to set up an S.L. is EUR 3,000.

Spanish corporate law also foresees the so-called European Limited Company, which is a type of supranational company recognized in the community legal framework and extends freedom of establishment within the territory of the EU, enabling companies to operate under the same regulations, which are directly applicable in all member states.

The model of a European Limited Company is mainly aimed at large investments with a minimum called-up capital of EUR 120,000 although medium or even small enterprises are not excluded.

Finally, other types of business organizations or associations can also be distinguished, which in most cases do not have a separate legal personality of their members, such as temporary business associations (UTE), joint account contracts (cuentas en participación), joint ownerships (comunidad de bienes) and civil law partnerships (sociedad civil).

Employment Affairs

Spain offers a structured labor market with clear regulations on wages, leave policies, remote work, unemployment benefits, retirement and termination of employment. These measures ensure worker protection and promote a balanced work environment.

- **Working in Spain**: Nationals of the EU Member States or nationals from non-EU countries with a work and residence permit are allowed to work.
- **Minimum wage in Spain in 2025**: EUR 1,184 per month or EUR 16,576 per year (which includes 12 monthly payments and two extraordinary payments). However, collective bargaining agreements establish mandatory wages that generally exceed the above minimum wage.
- **Maternity and Paternity Leave:** 16 weeks paid for maternity leave and 16 weeks paid for paternity leave. The duration of this leave has been fully equated in 2021.
- **Parental Leave:** 8 weeks of paid leave for each parent, until the child turns 8.
- **Remote Working:** Spanish remote working regulations require individual agreements between employers and employees under certain circumstances, which must cover several aspects, such as compensation, occupational risk prevention, and distribution of working time (on-site vs. remote). Collective bargaining agreements may establish additional requirements.
- **Unemployment Benefits:** To get some benefits, the employee shall have been contributing to Social Security for at least 360 days in the previous six years.
- **Retirement:** At present, the retirement age is gradually increasing from 65 to 67.
- **Termination of employment:** An employment relationship can be terminated for different reasons, including resignation, retirement, mutual agreement of the parties and dismissal, among others. Each type of termination is subject to different rules and consequences.

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