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START-UP LAW IN SPAIN



On December 1, 2022, the Congress of Deputies approved the so-called "[Start-up Law](#)" to promote the creation and growth of start-ups in Spain.

The Start-up Law enhances innovative entrepreneurship and fosters the scalability of emerging companies in Spain while internationally promoting the Spanish start-up ecosystem attracting new investment and talent.

DEFINITION & REQUIREMENTS FOR START-UPS

As set out in Article 3 of the Start-up Law, a "start-up company" is a legal entity meeting the following requirements:

- (i) Newly created or no more than five or seven¹ years elapsed since the incorporation was registered with the relevant Commercial Registry.
- (ii) Did not arise from a merger, spin-off, or conversion of companies that are not deemed to be start-ups.
- (iii) Does not distribute dividends.
- (iv) It is not listed on a regulated market.
- (v) The registered office, permanent establishment or headquarters are in Spain.
- (vi) 60% of the workforce have an employment contract in Spain.
- (vii) Develop an innovative entrepreneurship project with a scalable business model.



[Empresa Nacional de Innovación SME, S.A.](#) ("**ENISA**") must determine that all the requirements to be considered a "start-up" under the Start-up Law are met before the company can register at the relevant commercial registry. ENISA's evaluation will take up to three months from the date the application and supporting documentation has been uploaded to the relevant electronic register.

¹ For the case of biotechnology, energy, industrial and other strategic sectors, or companies that have fully developed the technology in Spain, which will be determined by ministerial order.



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KEY BENEFITS FOR START-UPS

ADMINISTRATIVE	CORPORATE	TAX & EMPLOYMENT
Creating secure test environments for start-ups to operate in regulated sectors. Start-ups can operate in <u>regulated sectors</u> via temporary trial licences (max. 1 year).	The company <u>incorporation process is eased</u> : (i) Term for registration of the companies and their corporate documents is 5 business days, and (ii) Lower notary and registry fees apply in specific cases.	For Spanish start-up businesses, <u>corporate income tax is reduced from 25% to 15%</u> for 4 years. In addition, the <u>payments can be deferred</u> for a term of 2 years.
Fostering both types of <u>innovative public procurement for start-ups</u> : (i) Public Purchase of Innovative Technology (PPIT) and (ii) Pre-Commercial Public Purchase (PCPP).	Non-residents are <u>exempted</u> from the obligation to have a <u>foreigner identification number</u> . However, they must have a tax identification number, which they can apply for online.	The <u>general tax deduction for investing in new companies is increased</u> . Exemption awarding shares or stock options to start-up employees has increased from EUR12,000 to EUR50,000 per year.
Promoting public-private <u>collaboration with universities</u> through education programmes on entrepreneurship and digital skills, as well as other actions to foster the creation of start-ups and technology-based companies in rural areas.	<u>Greater flexibility is added to the treasury stock system of start-ups</u> . Start-ups will not be subject to the requirements of equity balance set for the first three years, enabling them to consolidate their business model.	<u>A 50% tax allowance is introduced for income</u> obtained by directors, employees, or managers of certain closed-end collective investment funds and entities, triggered when the funds' investors earn a specific minimum return (carried interest).
Supporting start-ups through <u>state aid for innovation-based entrepreneurship</u> , establishing <u>co-investment funds</u> to attract private capital, and creating contact and collaboration networks, platforms, and meeting points.	<u>Compulsory dissolution exemptions</u> . Companies' losses will not give rise to compulsory dissolution for the first three years following its incorporation.	Parent companies of specific Spanish groups or branches of companies not subject to the laws of an EU Member State now have a <u>reporting obligation for corporate income tax</u> or equivalent or similar taxes <u>"country by country"</u> .
Publicising information on the Spanish start-up ecosystem through a <u>newly created portal</u> . Adapting and updating public-authority-user interfaces and those for <u>registries and notaries</u> .	<u>Start-ups</u> that are limited liability companies (<i>sociedades de responsabilidad limitada</i>) <u>may acquire their own shares</u> to pay for incentive plans, subject to the limits (20% of the share capital) and other requirements established by the Start-Up Law.	<u>The scope of application of the so-called "tax regime for expatriates" is extended</u> . The reasons for moving to Spain that entitle a taxpayer to apply the regime have been made more flexible to promote international remote working.
<u>Reducing barriers</u> for start-ups to access public aid.	Obtaining <u>residency in Spain is easier</u> in various circumstances on economic interest grounds.	<u>A 100% allowance of the minimum general rate for self-employed workers</u> who provide services to an emerging company but are employed by another company simultaneously.

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