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Spain



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A Brief Country Overview and Payroll Highlights

A brief country overview:

Spain is the world's 51st largest country with a landmass of 504,782 square kilometres. As well as the Spanish mainland, the country also consists of the Balearic Islands in the Mediterranean and the Canary Islands off the west coast of Africa. Spain also controls the enclaves of Ceuta, Melilla and Peñón de Vélez de la Gomera in Morocco. Spain is bordered to the north by France, Andorra and the Bay of Biscay (Mar Cantábrico); to the east by the Mediterranean; to the south by the Mediterranean and Gibraltar and to the west, Portugal and the Atlantic ocean. It also has land borders with Morocco via Melilla, Ceuta and Peñón de Vélez de la Gomera.



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Key Country facts

Official Language: Spanish

Currency: Euro (EUR)

Country dial code: +34

Country abbreviation: ES

Statutory filing payment methods: Payment via Bank transfer



National minimum wage: Minimum Wage in Spain remained unchanged at 752.90 EUR in December of 2014 from 752.90 EUR in June of 2014. Minimum Wages in Spain averaged 634.30 EUR from 1999 until 2014, reaching an all time high of 752.90 EUR in June of 2013 and a record low of 485.70 EUR in December of 1999.

Annual filing Deadline:

Time Zone: CET

Public Holidays in Spain

| Holidays in Spain | | | |
|-------------------|--------------|----------------------------------|------------------|
| 2015 | 2016 | Holiday | Holiday Type |
| 1st January | 1st January | New Year's Day | National holiday |
| 6th January | 6th January | Epiphany | National holiday |
| 19th March | 19th March | San Jose | National holiday |
| 2nd April | 24th March | Maundy Thursday | National holiday |
| 3rd April | 25th March | Good Friday | National holiday |
| 6th April | 28th March | Easter Monday | National holiday |
| 1st May | 1st May | Labor day | National holiday |
| 25th July | 25th July | Feast of Saint James the Apostle | National holiday |
| 15th August | 15th August | Assumption of Mary | National holiday |
| 12th October | 12th October | Hispanic Day | National holiday |
| 13th October | 13th October | Hispanic Day Observed | National holiday |
| 1st November | - | All Saints' Day | National holiday |
| 2nd November | - | All Saints' Day observed | National holiday |
| 6th December | 6th December | Constitution Day | National holiday |

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| | | | |
|---------------------------|---------------------------|---------------------------|------------------|
| | 7 th December | Constitution Day Observed | National holiday |
| 8 th December | 8 th December | Immaculate Conception | National Holiday |
| 25 th December | 25 th December | Christmas Day | National Holiday |

The government may transfer to Monday all national public holidays that fall midweek and any public holiday falling on a Sunday will in any event be transferred to the Monday. Within the annual limit of 14 public holidays, the Autonomous Communities may set the public holidays, which are traditionally their own.

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Business and culture in Spain

What you need to know about processing payroll in Spain

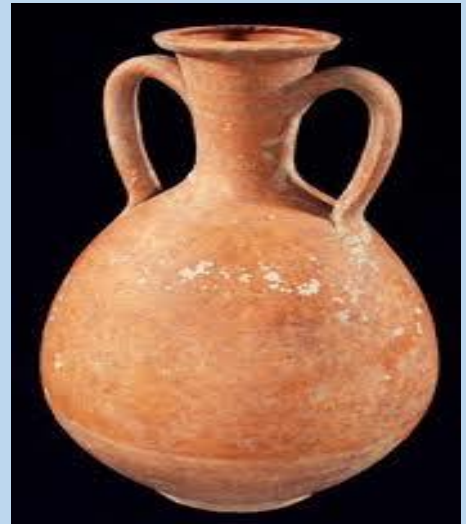
Establishing as an Employer in Spain

Preliminary Steps

- Decide on the company name
- Open a bank account and deposit of the initial share capital.
- Decide on the method of administration, management and percentage participation of shareholders
- Obtain a NIE number (Spanish Tax number for individuals) for all individual shareholders and directors, and a tax identification number for corporate share-holders
- Decided on where the registered office will be
- Decide on the company objectives/activities
- All shareholders and directors have to be present at the setting up meeting with the notary, or represented by way of a power of attorney
- Approve the standard draft of Articles of Association produced by the Notary and execution of the public deed of incorporation before the said Spanish Notary Public

Details/Legal Docs

- Certificate of clearance of the corporate name issued by the Central Mercantil Register in Madrid
- Original bank certificate for the initial capital deposited
- Personal detail of all shareholders and directors (full name, address, marital status, nationality) and copies of their passports legalized by Notary Public and duly sealed with the Apostille of the Hague Convention
- NIE number application form must be filed with the competent Authorities and must be applied for either: In Spain appearing in person, or in a Spanish Consulate overseas
- Address in Spain
- Complete description of the company objects-activities



The first settlers on the Peninsula were the Celts and the Iberians. The first testimonials written about the country date back to this period. It is said that Hispania (the name the Romans used to describe the Peninsula) is a word of Semitic origin from Hispalis (Seville). From the year 1100 A.D. and until the middle of the 3rd century A.D., commercial and cultural contact with high Mediterranean civilisations was held with the Phoenicians and Greeks. At the end of this era, both civilisations were taken over by the Carthaginians and Romans, respectively. The Roman presence in Hispania lasted for seven centuries, during which time the basic borders of the Peninsula in relation to other European towns were set up. In addition to territorial administration, many more institutions were inherited from Rome such as the concept of family, Latin as a language, religion and law. At the start of the 5th century new settlers from the North arrive and settle on the Peninsula: the Visigoths in the interior and the Swabians on the West. This Germanic people saw themselves as the continuators of the weakened Imperial power.

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- Power of attorney for the incorporation if required
- Draft Deed of incorporation
- Apply for the CIF number (Tax identification number) of the new company, to the Tax Office
- Payment of stamp duty within a maximum of 30 days from act of incorporation. This is essential for the registration of the company
- Registration in the Mercantile Registry
- Must appoint resident manager/fiscal representative
- Must keep books of account under Spanish regulations & IFRS

Employment

The typical Spanish working day tends to be from around 8.30am or 9am to around 1.30 pm and then from 4.30pm or 5pm to around 8pm. The siesta is a mid-afternoon break, usually around three hours, which gives employees a break from work during the intense midday heat. Most people tend to go home for lunch, spend time with their family or relax during this time.

The standard working week is 40 hours in Spain.

The law also ensures there is a minimum of twelve hours rest between working days and that employees cannot work more than eighty hours of overtime in a single year unless there is a collective agreement in place.

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Getting down to business

Doing business in Spain is similar to doing business in the rest of Western Europe. While many Spaniards will meet each other with a kiss on both cheeks, this is not common in business relationships unless you know the other party well.

Spanish people have two first names and two surnames, composed of their father's first surname and their mother's first surname. Use *Señor (Sr.)* or *Señora (Sra.)* as you would Mr. or Mrs. In the first meeting, Spaniards will want to become acquainted with you before proceeding with business, so you should be accommodating and answer any questions about your background and family life. Spaniards will really check to see if you are honest and reliable, to know they can place their trust in your products or business before starting a relationship.

Visas and work permits in Spain

From spring 2006 if you are an EU national you will not need a work permit to work in Spain, you can enter the country as a tourist and register with the Spanish national employment office (*Instituto Nacional de Empleo - INEM*) to look for a job. You then have 90 days to find employment, you can obtain an extension after that date or leave Spain and re-enter for a further 90 days. Once you find a job, you will need your employment contract in order to apply for your residence permit.

Non-EU nationals

Residents non-EU who wish to work in Spain must obtain a work permit. They must also obtain a visa before moving to work in Spain. Work permits must be applied for at the Foreigners' Office (*Oficinas de Extranjeros*) or to the provincial office of the Ministry of Labour (*Delegación Provincial del Ministerio de Trabajo*), if you are already in Spain. If you are not in Spain, a work permit must be applied for at the Consular office of your home country.

The provincial labour offices (*Direcciones Provinciales de Trabajo, Seguridad Social y Asuntos Sociales*) will decide whether the work permit will be issued or not.

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Tax & Social Security

Tax

Income Tax and Corporation Income tax rates are being reduced (even though they will still be above average in Europe). Individuals who are residents of Spain are taxed on their salaries and pensions as well as rents with progressive tax brackets at the moment from 24.75% to 52%. In 2015, there will be only 5 brackets with rates reduced from 20% to 47%. In 2016, the rates will be 19% to 45%. However, the maximum rate will be applied above 60,000€. Savings income is taxed at the moment from 21% to 27% (21% up to 6,000€, 25% from 6,000€ to 24,000€ and 27% above 24,000€. In 2015, the tax on the Bracket above 6,000€ will be 22% up to 50,000 and 24% above this. 2016, they will be reduced to 19% up to 6,000€, then 21% up to 50,000€ then 23%. Non Residents pay income tax at a general rate of 24.75% on income obtained, and also based on property which is for their personal use as well. From 2015 this will be cut to 24% but for individuals resident in other European states which exchange information with Spain it will be 20% in 2015 and 19% in 2016. The rate for interest, dividends, which nonresidents currently pay 21% will be reduced to 20% in 2015 and 19% in 2016. Corporate Income taxes are currently 30% and will be reduced to 28% in 2015 and 25% in 2016. - See more at: <http://www.spanishsolutions.net/2014/11/tax-reform-2015-what-is-happening-in-2015/#sthash.vR0QJUne.dpuf>

| 2015/16 tax table – resident in EUR | | | |
|-------------------------------------|----------|--------|--------|
| Taxable general base 2015-2016 | Up to | % 2015 | % 2016 |
| 0 | 12.450 € | 20% | 21% |
| 12.450 € | 20.200 € | 25 % | 24 % |
| 20.200 € | 35.200 € | 31 % | 30 % |
| 35.200 € | 60.000 € | 39 % | 37 % |
| 60.000 € | + | 47 % | 45 % |

Note: Regional tax rates vary between the different regions of Spain (*Comunidades Autonomas*). The above rates are valid for Madrid.

In regions such as Catalunya and Andalucia the rates for the top tax bands are higher, rising to 56% for the very top band.

Income Tax who is liable?

A person becomes liable for tax as a resident of Spain if:

- They spend more than 183 cumulative days in one calendar year in Spain, that is: 1 January to 31 December, which is the tax year. They become liable whether or not they formally register in the *Registro Central de Extranjeros*
- OR their "centre of economic interests" is in Spain, that is: the base for their economic or professional activities is in Spain

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- OR their "centre of vital interests" is in Spain, that is: their spouse lives in Spain and they are not legally separated, and/or their dependent minor children live in Spain

In Spain, an individual is either resident or not resident for the whole tax year.

A **resident** of Spain is liable for tax on their worldwide income at scale rates after any available allowances and deductions.

A **non-resident** of Spain is liable for Spanish income tax only on Spanish income, generally at fixed rates and with no allowances or deductions.

Social security

It is compulsory for all workers resident in Spain to be enrolled with the General Social Security Fund (*Dirección General de la Tesorería General de la Seguridad Social* - TGSS). Provincial social security offices are located throughout the country.

The social security system works in a similar way to other European countries. Each month employees make social security contributions and this entitles them to a series of benefits. Workers paid cash in hand may not be eligible for social security benefits. Self-employed persons should visit their local social security office and complete the necessary paperwork.

The **National Institute of Social Security** (*Instituto Nacional de la Seguridad Social* - INSS) provides information regarding social security benefits (excluding unemployment benefits), including eligibility. Provincial National Social Security Institute offices are located throughout the country.

Tax reporting year

The tax year in Spain is from 1 January to 31 December.

Payslips

Employers must provide employees with a payslip each month. Each month, the payslip should include a detailed list of all deductions to the employee's salary including taxes, social insurance and voluntary contributions.

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Compliance

Any person legally resident in Spain can benefit from the Spanish social security system if they fall into one of the following categories:

- Employed workers
- Self-employed workers
- Students
- Workers affiliated with a work co-operatives
- Civil servants or military personnel

There are two different schemes for Social Security:

- Contributory
- Non-contributory

The contributory scheme is for some civil servants, employed persons who are not eligible for a special scheme, five special categories of agricultural workers, mariners and coal miners. All contributory workers will fall into one of six labour categories (*régimen*), with contribution rates differing from category to category. It is not possible for a person to be registered in more than one scheme for the same occupation.

For employees, a set percentage of earnings is payable and contributions to the social security system will begin as soon as employment begins. Both the employee and employer pay a percentage of the contribution, with the employer paying a larger percentage than the worker. Payments are made towards social security coverage for:

- Illness
- Non work-related injuries
- Retirement
- Maternity and paternity leave
- Work-related-injuries and occupational illness
- Overtime
- Unemployment
- Wage Guarantee Fund
- Occupational Training

Employers make contributions for social security coverage for work-related injuries and industrial accidents.

Self-employed workers receive the same types of social security coverage as employees except that they are not entitled to unemployment benefits or industrial accident cover. Those who are self-employed may choose between a minimum (at least approximately 29 percent of earnings) and maximum contribution amount, and they are responsible for payment of the full amount.

The non-contributory system is a safety net welfare system for persons with specific needs or on low incomes. Some citizens may be entitled to benefits even if they have never paid social security contributions, or have done but were not entitled to benefits under the contributory system.

- Non-contributory benefits include:
- Medical assistance
- Retirement and disability allowances
- Family allowances
- Special assistance for the unemployed (*subsídio por desempleo*)

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- Non-contributory maternity allowance (*subsídio por maternidad de naturaleza no contributiva*), which is not means-tested

EU citizens without enough national insurance contributions in Spain to claim social security benefits can often make up any entitlement by declaring NI contributions made in their home country or other EU country's of employment.

Employer Registration

The Workers' Statute guarantees two extra payments in addition to the twelve standard payments. One of them has to be paid at Christmas and the other on the date set out in the collective agreement. Furthermore, collective agreements may guarantee additional payments. Annual collective wage agreements by sector are agreed, setting wages levels in accordance with professional categories.

Starters/Registration

Employers must undertake the following activities when managing new starters:

- Gather personal Details: NIF (Tax Identification Number), NAF (Social Security Registration Number), Address, Marital Status, Nationality, Date and Place of Birth. A NAF number (Social Security Registration Number) must be obtained from the local Social Security Office when the employee first enters employment together with a NIF from the Police (who issues also the DNI and DNF – identification document for Nationals and Foreigners)
- Bank Details: Name of Bank, Account number, Bank Code, Control Code, Branch Code
- Employment Details: employment start, category, position, date of seniority (if different from start date), collective agreement, start date of current contract (if different from employment date), type of contract, working hours, contribution group and occupation code, basic annual salary, applicable deductions
- Withholding Tax: approximate % for withholding tax, according to a forecast of the total annual salary payable to each employee; IRPF code, Number of dependents
- Complete forms and registration with Authorities - Form 145 must be completed for new starters at the time of recruitment.
- Every January each employee must complete Form 145 if personal data changes.

Leavers/De-registration

An employer is responsible for managing leavers as follows:

Legal requirements – The Law permits the termination of a contract of employment, in the objective circumstances set out in the statute. In addition, the following requirements must be complied with:

- a) Written notice to the employee, stating the reasons for the dismissal.
- b) Compensation of 20-days pay, per year of service, payable upon delivery of the written notice, with a maximum of one-year's pay.
- c) Thirty days' notice of the termination of the contract, to commence from the moment of the official notification to the employee.

If the dismissal is declared unfair, the employer has to pay compensation equivalent to 45-days-pay, per year of service, up to a maximum of 42 months' salary.

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Forms and Returns/De-registration – Dismissals:

The company must inform the Social Security Office of any redundancies and dismissals with dates and reasons through the RED System. A file will be sent called "AFI".

The leaver will receive from the company:

- Final Payment to be calculated for the employee with the data in the template sent by the customer.
- Certificado de Empresa is a form that contains a summary of the employee's contributions belonging to the last 180 days before the date of the event, which must be given to the employee. The deadline is fifteen days after the event.
- Recibi de Finiquito: it is a document where the leaver agrees with the company to be paid the amount calculated in his / her last payroll and accepts that he / she will not dispute the decision.

Data Retention

It is the responsibility of the employer to retain Social Security and Tax documentation for the last 5 years.

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Statutory Absence/Payments

Annual leave

There is a minimum mandatory annual holiday allocation of 30 calendar days or 22 working days for each full year worked.

Maternity leave

Maternity leave in Spain lasts 16 weeks for your first child with 2 additional weeks per subsequent child. These 16 weeks can be taken as full days or part days and the mother can choose when to take them, either before or after the birth but a minimum of 6 weeks must be taken after the birth. In this way, it is possible for the mother to take leave from up to 10 weeks prior to giving birth.

State maternity benefits are paid by the Seguridad Social which is the Spanish social security system. This system covers Spanish citizens who live and work in Spain as well as foreigners who are official residents in Spain with a residence permit.

Maternity Benefit starts from the same day as the birth date or the date when leave starts.

Parental leave

Paternity leave is currently 15 days. In 2015 this will increase to 30 days.

Sickness

This protects a workers temporarily unable to work and in need of medical assistance due to illness or accident. In such cases the worker will be paid at least 60% income. The employer normally pays the worker this temporary sick pay, and is then reimbursed by the Social Security department. The maximum period of such leave is 18 months, after which the situation must be reviewed.

Extended leave

Extended leave of absence means a situation where the employment contract is suspended at the employee's request and may be:

- **Compulsory:** to take up public office or perform provincial or broader trade union duties. Such leave must be granted and the worker has the right to keep his or her position in the company.
- **Voluntary:** At least one year's service in the company is required. The right to keep the job is not guaranteed, but priority is given when there is a vacancy. The duration is between four months and five years.
- **Extended leave of absence to care for members of the family:** It is possible to request a maximum of three years' leave to care for each child. Employees are also entitled to leave of absence of 1 year, which may be extended by mutual agreement, to care for a blood relation unable to look after him or herself and not in paid work.

Benefits

Share Options are often provided in Spain.

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