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# INVESTMENTS AND TRADE IN SPAIN

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Our international team delivers a complete legal service to a large number of global companies, who trust in us to supervise and advise their subsidiaries due to our specialist knowledge of the regulatory and business framework in Spain.

## RANKINGS

### National

| | | |
|---|---|---|
| TIER 1 — National Ranking — Corporate and Mergers and Acquisitions Law | TIER 1 — National Ranking — Privacy & Data Protection Law | TIER 2 — National Ranking — Tax Law |

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### Regional

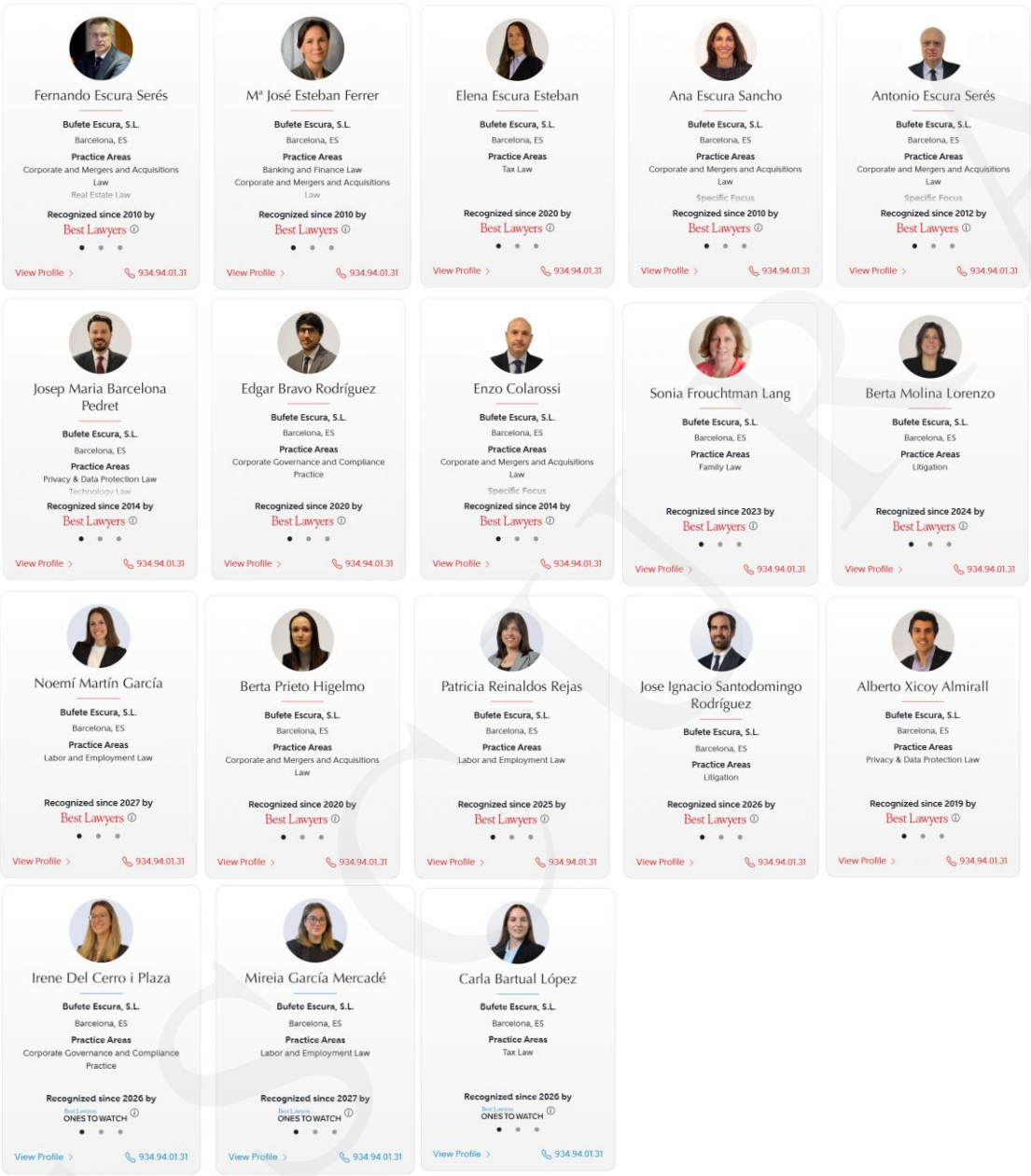
BARCELONA

| | | | | |
|---|---|---|---|---|
| TIER 1 — Barcelona — Corporate and Mergers and Acquisitions Law | TIER 1 — Barcelona — Family Law | TIER 1 — Barcelona — Litigation | TIER 1 — Barcelona — Privacy & Data Protection Law | TIER 1 — Barcelona — Tax Law |
| TIER 2 — Barcelona — Banking and Finance Law | TIER 2 — Barcelona — Corporate Governance and Compliance Practice | TIER 2 — Barcelona — Real Estate Law | TIER 3 — Barcelona — Labor and Employment Law | TIER 3 — Barcelona — Technology Law |

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# I. INTRODUCTION

"We offer our clients a comprehensive, multidisciplinary advice service."



Our provision of services is based on the declaration of our **Mission**, **Quality** and **Commitments**.

| OUR PURPOSE<br>**Mission** | OUR STANDARD<br>**Quality** | OUR VALUES<br>**Commitments** |
|---|---|---|
| "We are willing to be a multidisciplinary office, which allows us to offer our clients a comprehensive advice service, based on high ethical and quality standards." | "Our professional performance is aimed at achieving full customer satisfaction, obtained through process monitoring methods, analyzing the results and adopting improvement measures." | "We are a committed professional office, and in this sense, we participate with different entities. We are committed to Quality (ISO and IQNet), Territory (we are the reference office of more than 15 business entities), Culture (we participate with cultural entities), Solidarity (we sponsor scholarship programs), Training and Transparency (we collaborate and participate with the educational community) and Equality." |

## AREAS OF PRACTICE

| | | |
|---|---|---|
| Corporate Compliance | Finance & Accounting | Family Law |
| Corporate & Commercial Contracts | Tax | Administrative Law |
| International | Criminal Law | Insurance |
| Mergers & Acquisitions | New Technologies & Data Protection | White Collar |
| Labor and Employment | Restructuring & Insolvency | Real Estate |
| Planning & Zoning | Italian Desk | Immigration |

## II. GENERAL DATA

"Spain is a parliamentary monarchy with 17 Autonomous Communities."



### GEOGRAPHY

- **Territory:** 505,957 km².
- Spain occupies most of the Iberian Peninsula and, outside of it, two important archipelagos (the Canary Islands in the Atlantic Ocean and the Balearic Islands in the Mediterranean Sea) and two cities in the north of Africa: Ceuta and Melilla.
- **Population:** 49,801,559 (INE, 1 July 2026).
- **Capital:** Madrid.

### POLITICAL INSTITUTIONS

- In Spain the form of government is a parliamentary monarchy with a hereditary monarch, the King of Spain, acting as a head of state, and a bicameral parliament, the General Courts.
- The King is the Head of the State, arbitrates and moderates the regular functioning of the institutions and assumes the highest representation of the Spanish State in the international relations.
- The General Courts are formed by the Congress of Deputies and the Senate, and in them resides the legislative power of the State.
- The executive branch is formed by a Council of Ministers headed by the President of the Government who serves as head of Government. The Government directs domestic and foreign policy, the civil and military administration and the defense of the State. It exercises executive and regulatory power.

### TERRITORIAL DIVISIONS

- Municipalities.
- Provinces (formed by municipalities).
- 17 Autonomous Communities (formed by provinces) and 2 Autonomous Cities (Ceuta and Melilla).
- The Autonomous Communities may assume competences in certain areas.

### LANGUAGES

- **Official language:** Spanish.
- **Other official languages:**
  - Catalan
  - Basque
  - Valencian

- Galician
- Aranese (Occitan), in the Val d'Aran (Catalonia)

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# III. LEGAL SYSTEM

"Since Law 18/2022, an S.L. can be set up with € 1 of share capital."



## ESTABLISHMENT IN SPAIN BY FOREIGN COMPANY

- Constitution of Company/Subsidiary.
- Branch Office.

## LEGAL FORMS

- Public Limited Companies and Limited Liability Companies.
- Personal-Based Companies.

### A) Public Limited Company ("Sociedad Anónima")

Main features:

- **Minimum capital:** € 60,000. Initial outlay of at least 25%.
- **Capital divided into shares.**
- **Transfer of shares:** freedom to transfer the shares.
- **Limited liability** of shareholders to their own contribution.
- **Types of contributions:** money and assets (with a previous expert opinion).
- **Corporate bodies:** General Meeting and Administrative Board.
- **Administrative Board forms:** a sole director, two directors (solidarity or joint), a Board of Directors (Chief Executive Officers).
- **Term of office:** six years, renewable. May be revoked at any time.
- **Session without a call:** Universal General Meeting.

### B) Limited Liability Company ("Sociedad Limitada")

Main features:

- **Minimum capital:** € 1. Following Law 18/2022 (Ley Crea y Crece), a Limited Liability Company can be incorporated with a minimum share capital of one euro.
- **Protection rules for capital below € 3,000:** as long as the company's capital does not reach € 3,000, specific statutory safeguards apply:
  - At least 20% of the net profits must be allocated to the legal reserve until the legal reserve plus the share capital reaches € 3,000.
  - In the event of voluntary or forced liquidation, if the company's assets are insufficient to meet its obligations, the shareholders shall be jointly and severally liable for the difference between the € 3,000 threshold and the actual subscribed capital.
- **Capital division:** divided into social shares (participaciones sociales).

- **Transfer of shares:** free transmission to spouse, ascendants, descendants, other partners, and companies belonging to the same Group, unless otherwise provided in the By-laws.
- **Liability:** limited to the capital contribution made (subject to the € 3,000 threshold liquidation rule mentioned above).
- **Contributions:** monetary or non-monetary assets (expert valuation report is optional).
- **Corporate bodies:** General Shareholders' Meeting and Administrative Board (Sole Director, Joint/Solidary Directors, or Board of Directors). Term of office is indefinite unless otherwise specified in the By-laws.

## FORMALITIES FOR THE SETTING UP OF A COMPANY

1. Certification of the Corporate name.
2. Bank deposit for the social capital amount.
3. Obtaining individual NIE by the partner natural person or by the director of the company.
4. Public deed before a Notary.
5. Obtaining provisional VAT number and communication of the Company tax base and the Spanish VAT number to the Tax Office.
6. Liquidation of the Constitution tax in the Region's Tax Office: 1% (currently exempt).
7. Registration of the notarial deed in the Commercial Registry.
8. Declaration of the investment to the Foreign Investment Register (Ministry of Economy, Trade and Business – Royal Decree 571/2023): within 1 month from the investment. If the investment is subject to FDI screening, prior authorisation is required before closing (see below).
9. Obtaining the definitive VAT number.

## FORMALITIES FOR THE ESTABLISHING OF A BRANCH OFFICE

1. General Meeting Minutes and Statutes of the parent Company with a certified translation into Spanish and The Hague Apostille.
2. Constitution of bank deposit for the amount decided by the parent company.
3. Notarial deed agreement of constitution of the branch.
4. Obtaining provisional VAT number and communicate the tax base to the Tax Agency.
5. Registration of the public deed in the Commercial Registry. No certification of the Corporate name request.
6. Declaration of the investment to the Foreign Investment Register (Ministry of Economy, Trade and Business – Royal Decree 571/2023):

within 1 month from the investment. If the investment is subject to FDI screening, prior authorisation is required before closing (see below).

## FOREIGN DIRECT INVESTMENT (FDI) SCREENING

- **General rule:** under Article 7 bis of Law 19/2003, prior Government authorisation is required for foreign direct investments by investors resident outside the EU/EFTA (or ultimately controlled by them) that result in a holding of 10% or more of a Spanish company, or in its control, where the target operates in a strategic sector (critical infrastructure, critical technologies, energy, data, media, etc.) or the investor meets certain risk criteria (e.g. it is controlled by a foreign government).
- **Implementing rules:** Royal Decree 571/2023. Transactions completed without the required authorisation are invalid and may give rise to significant fines. A voluntary prior consultation procedure is available, and certain small investments are exempt.
- **Transitional regime for EU/EFTA investors:** until 31 December 2026, investments by EU/EFTA residents (or by Spanish entities they control) are also subject to authorisation where they target listed Spanish companies, or unlisted companies if the investment exceeds € 500 million, in strategic sectors. Any extension of this regime beyond that date should be checked.
- **EU framework:** the new Regulation (EU) 2026/1386 on the screening of foreign investments (published on 26 June 2026) will be fully applicable from 17 January 2028 and will make screening mandatory and harmonised across the EU, which will require changes to the Spanish regime.

## RESIDENCE PERMITS FOR INVESTORS AND THEIR STAFF

- **"Golden visa" abolished:** the investor residence permit based on real estate, capital or bank deposit investment was abolished by Organic Law 1/2025 with effect from 3 April 2025.
- **Available routes:** Law 14/2013 (as amended by Law 28/2022) still provides fast-track residence permits for entrepreneurs with an innovative business project, highly qualified professionals, intra-company transfers, researchers and international teleworkers ("digital nomad" visa).
- **General framework:** the new Immigration Regulation (Royal Decree 1155/2024) has applied since 20 May 2025.

# IV. TAX SYSTEM

"The general Corporate Tax rate in Spain is 25%."



## ESTABLISHMENT IN SPAIN BY FOREIGN COMPANY

- Subsidiary.
- Branch.

## TAXATION

- **Subsidiary:** Corporate Tax (IS).
- **Branch (Permanent establishment):** Income Tax Non-Resident (IRNR).

### Procedure

- Obtaining provisional Tax Identification Number (VAT number).
- Payment of the Corporate Transactions (OOSS): 1% of capital (currently exempt).
- Obtaining the definitive VAT number.

### Investment Statement

- Established the Subsidiary or Branch, it must be declared in the Register of Foreign Investment of the Ministry of Economy, Trade and Business (Royal Decree 571/2023).
- It should be declared also any further investment or liquidation of the investment.
- An annual report (memoria anual) must be filed where the Spanish company exceeds the thresholds set by the regulations; for companies with a 31 December year-end it is due by 31 July.

## SUBSIDIARIES

### Corporate Tax (Impuesto sobre Sociedades – IS)

- **General rate:** 25%.
- **Micro-entities (turnover under € 1 million):** under Law 7/2024, entities with a net turnover in the preceding tax period of less than € 1 million apply a progressive scale (first € 50,000 / rest of taxable income), phased in as follows:
  - Tax periods starting in 2025: 21% / 22%.
  - Tax periods starting in 2026: 19% / 21%.
  - Tax periods starting in 2027 and following: 17% / 20%.
- **Small-sized entities (turnover under € 10 million):** reduced rate phased in by Law 7/2024: 24% (2025), 23% (2026), 22% (2027), 21% (2028) and 20% from 2029.
- **Newly created entities:**

  - 15% tax rate applicable in the first tax period in which the taxable base is positive and in the immediately following tax period, regardless of whether the result of that second period is positive or negative.
  - **Exclusions:** the 15% rate does not apply if the entity forms part of a corporate group within the meaning of Article 42 of the Spanish Commercial Code at the end of the tax period, or if the economic activity was previously carried out by a related party or individual holding over 50% of the share capital.

- **Offset of tax losses:** tax losses can be offset without time limitation, subject to general quantitative limits (generally up to 70% of positive taxable income).
- **Capitalisation reserve:** 20% of the increase in equity reduces the taxable base (up to 30% where average headcount increases), subject to a limit of 20% of the taxable base (25% for entities with turnover under € 1 million) and to maintaining the equity increase for three years (Law 7/2024).
- **Global minimum tax:** groups with consolidated revenue of € 750 million or more are subject to a 15% minimum effective tax rate through the complementary tax introduced by Law 7/2024 (Pillar Two).

| Taxpayer | Corporate Tax rate |
|---|---|
| **General rate** | 25% |
| **Micro-entities (turnover < € 1 million)** | 19% (first € 50,000) / 21% (rest) in 2026; 17% / 20% from 2027 |
| **Small-sized entities (turnover < € 10 million)** | 23% in 2026 (gradually reduced to 20% from 2029) |
| **Newly created entities** | 15% (first two periods with positive taxable base) |

## Tax Credits

- **Exemption method to avoid double taxation:** a 95% exemption applies (the remaining 5% is treated as non-deductible management expenses, i.e. an effective tax of approx. 1.25%) if the company holds a stake of at least 5% and participates for at least one year prior to the date when they are payable.
- Deduction for activities in Research & Development and also for Technological Innovation Investments.

- Below we detail the main percentages of the current tax credits (the deduction for profit investment and the reinvestment of extraordinary profits were abolished in 2015):

| Tax Credit | % |
|---|---|
| **Research & Development (R&D)** | 25% – 42% |
| **Technological Innovation (TI)** | 12% |
| **Film production** | 30% (first € 1 million) / 25% (excess) |
| **Execution expenses in Spain of foreign productions** | 30% (first € 1 million) / 25% (excess) |
| **Expenses of production and exhibition of theater shows and musicals** | 20% |
| **Capitalisation reserve (reduction of the taxable base)** | 20% – 30% |

## INTERNATIONAL CONVENTIONS FOR THE AVOIDANCE OF DOUBLE TAXATION

Spain has subscribed bilateral Conventions with the following Countries in order to avoid double taxation.

| | | | | |
|---|---|---|---|---|
| Albania | Colombia | India | Netherlands | Slovenia |
| Algeria | Costa Rica | Indonesia | New Zealand | South Africa |
| Andorra | Croatia | Ireland | Nigeria | Sweden |
| Argentina | Cuba | Israel | North Macedonia | Switzerland |
| Armenia | Cyprus | Italy | Norway | Syria |
| Australia | Czech Republic | Jamaica | Oman | Tajikistan |
| Austria | Denmark | Japan | Pakistan | Thailand |
| Azerbaijan | Dominican Republic | Kazakhstan | Panama | Timor-Leste |

| | | | | |
|---|---|---|---|---|
| Bahrain | Ecuador | Korea (Republic of) | Paraguay | Trinidad and Tobago |
| Barbados | Egypt | Kuwait | Philippines | Tunisia |
| Belarus | El Salvador | Latvia | Poland | Türkiye |
| Belgium | Estonia | Lithuania | Portugal | Turkmenistan |
| Bolivia | Finland | Luxembourg | Qatar | Ukraine |
| Bosnia and Herzegovina | France | Malaysia | Romania | United Arab Emirates |
| Brazil | Georgia | Malta | Russia* | United Kingdom |
| Bulgaria | Germany | Mexico | Saudi Arabia | United States |
| Canada | Greece | Moldova | Senegal | Uruguay |
| Cape Verde | Hong Kong | Montenegro | Serbia | Uzbekistan |
| Chile | Hungary | Morocco | Singapore | Venezuela |
| China | Iceland | Namibia | Slovakia | Vietnam |

* Russia suspended in 2023 the application of key provisions of its tax treaties with the countries that adopted sanctions, including Spain. Tajikistan and Turkmenistan continue to apply the Spain–USSR Convention of 1985; Kyrgyzstan denounced it with effect from 1 January 2023. The list should be checked against the official list of the Ministry of Finance before applying any treaty.

## PAYMENTS TO NON-RESIDENTS UNDER THE TREATIES

- Due to the wide range of different agreements, the States' signed text should be studied carefully.
- We detail below the most significant incomes:

### Royalties

- Under the OECD Agreement Model: exclusive taxation in the residence State.
- Limited taxation in the source State, liable to specific requirements.

### Interests

- Interests coming from a contracting State and paid off to a resident from other contracting State will be liable to the sharing taxation principle,

although it is allowed to renounce to the tax power and tribute for the interests' totality in the country receiving the income.

- Most of Spain's treaties limit source-State taxation of interest (commonly 0%–10%, up to 15% in some treaties). Interest paid to EU residents is generally exempt under domestic law; otherwise the domestic withholding rate is 19%.

### Dividends

- Agreements to reduce the general tax rate: usually each agreement holds different reduced rates depending on the participation.
- In the event that a State receiving dividends would apply to receive the whole income in its State, what means, without the dividend payer making any withholding, we should ask for the residence certificate accreditation to the recipient.
- Domestic withholding tax is 19%. Dividends paid to EU parent companies holding at least 5% for one year are exempt under the Parent-Subsidiary Directive, subject to anti-abuse rules.

### Company Profit

- **With Permanent Establishment:**
  - The tax rate for Non-Resident Income Tax for incomes through permanent establishment addresses us to the Spanish Corporate Tax, being the taxation rate 25%.
  - Interest, royalties and similar payments made by the permanent establishment to its head office are not deductible (except for financial entities); a reasonable share of head-office management and general administration expenses is deductible.
  - **Branch profits tax:** profits remitted abroad are subject to an additional 19% tax, unless the head office is resident in another EU/EEA State (other than a non-cooperative jurisdiction) or in a treaty country that grants reciprocity.
- **Without Permanent Establishment:**
  - It will not be taxable in Spain the company profit obtained in Spain, only in the residence State of the non-resident.

## PERSONAL INCOME TAX: SPECIAL REGIME FOR INBOUND WORKERS ("BECKHAM LAW")

- Individuals who become tax resident in Spain and have not been resident in the previous five years may opt to be taxed under Non-Resident Income Tax rules in the year of arrival and the following five years.
- Spanish-source employment income is taxed at a flat 24% up to € 600,000 (47% on the excess); foreign-source income is generally not taxed in Spain.

- Since Law 28/2022 the regime also covers international teleworkers, entrepreneurs, highly qualified professionals working for start-ups or in R&D, and company directors, and may extend to the spouse and children.
- The option must be exercised within six months from registration with Social Security (form 149).

## VAT AND LOCAL TAXES

### Value Added Tax (IVA in Spain)

| VAT rate | % |
|---|---|
| **General** | 21% |
| **Reduced** | 10% |
| **Super-reduced** | 4% |

### Activities Tax (IAE)

- **Exemptions for:**
  - The first two exercises when activity starts.
  - Turnover less than € 1,000,000.

### Property tax (IBI)

- Annual municipal tax on the ownership of real estate, levied on the cadastral value. Each municipality sets the rate within the legal range (generally 0.4%–1.1% for urban property; higher rates may apply to high-value non-residential property).

## INVOICING OBLIGATIONS: VERIFACTU AND E-INVOICING

- **Verifactu:** invoicing software must meet the requirements of Royal Decree 1007/2023 from 1 January 2027 for Corporate Tax payers and from 1 July 2027 for other taxpayers (Royal Decree-law 15/2025). In October 2026 the Ministry of Finance announced its intention to postpone these dates to 2028; this has not yet been enacted.
- **B2B e-invoicing:** Law 18/2022 (Crea y Crece) introduced mandatory electronic invoicing between businesses; the implementing timetable should be checked before planning.

# V. LABOUR REGULATION

"The indefinite contract is the general rule."



## SELF-EMPLOYMENT

### Single Relationship

- Self-employed workers.
- Communication to the Tax Office (Hacienda).
- Registration in the RETA (Special Regime for Self-Employed).
- Monthly payment of Social Security contributions.
- Self-declaration of Tax: VAT, personal income tax (IRPF).

## SUBORDINATE WORK

### Worker-employer relationship: obligations of the employer

- Enroll workers in the Social Security (Tesorería General de la Seguridad Social – TGSS).
- Employment Agreement (which sets out the conditions of employment).
- Payment (Minimum required – Minimum professional wage – Collective agreement).
- **Minimum wage (SMI) 2026:** € 1,221 per month in 14 payments (€ 17,094 per year) – Royal Decree 126/2026.
- Monthly/quarterly withholding and payment of personal income tax (IRPF) on salaries to the Tax Agency.
- Social Security Monthly/Quarterly Payment.

### Worker-employer relationship: employee's obligations

- Meet and agreed to the conditions contained in the contract.
- Comply with employment legislation.

## TYPES OF CONTRACTS

- **Depending on the duration:**
  - Fixed-term contract (only for the causes permitted since the 2021 labour reform, Royal Decree-law 32/2021):
    - Circumstances of production (up to 6 months, extendable to 12 by collective agreement; or up to 90 days per year for foreseeable occasional situations).
    - Replacement of an employee (contrato de sustitución).
  - Indefinite (permanent) contract, which is the general rule; it includes the fijo-discontinuo contract for seasonal or intermittent activities.
- **According to the schedule:**
  - Full time Contract.

  - Part time Contract.
- Training contracts:
  - Work-and-training contract (formación en alternancia).
  - Contract for obtaining professional practice (obtención de la práctica profesional).

## TERMINATION OF THE EMPLOYMENT RELATIONSHIP

- **Dismissal for objective reasons:**
  - Organizational, Technical, Economic and Production.
  - Compensation: 20 days' salary per year of service, up to a maximum of 12 months' salary.
- **Disciplinary Dismissal:**
  - Justify and demonstrate the violation.
  - Fair dismissal (procedente): no compensation.
  - Unfair dismissal (improcedente): the employer chooses between reinstatement or compensation of 33 days' salary per year worked, up to 24 months (45 days per year for service before 12 February 2012). A reform of this compensation is included in the Government's 2026 legislative plan but has not been approved.
  - Null dismissal (nulo): mandatory reinstatement with back pay.
- Voluntary resignation of the employee.
- Termination by the worker due to serious non-compliance by the employer.
- Agreement of the parties.

## SPANISH WORKERS STATUTE

Minimum legislative framework which regulates generic paid work and contractual relationship between employer and employee.

## COLLECTIVE AGREEMENTS

Specific legislative framework which regulates the contractual relationship between employer and employee in each sector, specific activity, and acts as a minimum standard within it.

# VI. CIVIL PROCEEDINGS SYSTEM

"Since 3 April 2025, most civil and commercial claims require a prior attempt to settle (MASC)."



**COURT TERMINOLOGY**

To align with the latest organizational reform of the Spanish judicial system, references to the former **"Juzgados de Primera Instancia"** and **"Juzgados de lo Mercantil"** are replaced by **Court of First Instance (Civil and Commercial Sections)** / **"Tribunales de Instancia"**.

## MANDATORY PRIOR ATTEMPT TO SETTLE (MASC)

- Since 3 April 2025 (Organic Law 1/2025), before filing most civil and commercial claims the parties must have attempted an appropriate dispute resolution method (MASC): negotiation, mediation, conciliation, a confidential binding offer, an independent expert opinion, etc.
- Proof of that attempt is a procedural requirement for the claim to be admitted. Certain proceedings are excluded (e.g. interim measures and some enforcement and family-law proceedings).
- The parties' conduct during the MASC may be taken into account by the court when awarding costs.

## KINDS OF PROCEEDINGS

### Verbal proceedings

- **Description:** is the simplest procedure, provided for by the Spanish legal system for disputes with a value equal to or less than € 15,000.
- **Duration:** about 8-10 months (depending on the competent Court of First Instance).
- **Appeals:** the judgment is appealable if the provided amount exceeds € 3,000.

### Ordinary proceedings

- **Description:** this is the most common proceedings, provided by the Spanish legal system for amounts above € 15,000 and also to certain issues in respect of the matter.
- **Duration:** approximately 8-12 months (depending on the competent Court of First Instance).
- **Appeals:** the judgment is appealable.

### Negotiable instruments proceedings

- **Description:** it is the proceedings in case of unpaid cheques, bills of exchange and promissory notes.

- **Duration:** if the debtor does not present opposition and does not pay within 10 days, it is paid directly to the execution and the goods are seized. In case of opposition a verbal proceeding starts.
- **Appeals:** in case of opposition, the appeals are the same as in the verbal proceedings.

### Monitory proceedings

- **Description:** it is the fastest credit recovery only when the creditor has documents that prove his credit (invoices, delivery notes, etc.).
- **Duration:** if the debtor does not object and does not pay within 20 days, it is passed directly to the execution and seizure of property. In case of opposition, the verbal procedure (if the amount is less than € 15,000) or ordinary proceedings (if the amount is more than € 15,000) start.
- **Appeals:** in case of opposition, the appeal system is the same as in the verbal or ordinary proceedings.

### Enforcement proceedings

- **Description:** when the creditor has an enforceable title (e.g. a sentence), it is possible to order the seizure of property of the debtor for the recovery of the credit plus 30% for interest and legal expenses.
- **Duration:** enforcement of a court judgment may be requested once 20 days have elapsed from its notification (voluntary compliance period); the court then orders the seizure of the debtor's assets. The procedure continues until the debt is fully recovered or the debtor is found to have no assets.
- **Appeals:** opposition is possible only in case of formal defects and for reasons taxed by law.

### Enforcement of foreign judgments

- **Description:** under the European Regulation 1215/2012, is the instrument to give enforceability to a judgment in another Member State.
- **Duration:** the proceedings are the same as in the execution.
- **Appeals:** the opposition is possible only in case of procedural defects and breach of the rules contained in Regulation 1215/2012.

### Appeal proceedings

- **Description:** the proceedings which are established before the Provincial Courts, that is territorially competent, as a result of appeals against court orders in verbal or ordinary proceedings.
- **Duration:** about 12-18 months.
- **Appeals:** the judgment may be challenged before the Supreme Court by way of cassation appeal (recurso de casación), which since Royal Decree-law 5/2023 requires cassational interest and covers both substantive and procedural infringements.

### Supreme Court proceedings

- **Description:** this is the proceeding started before the Supreme Court as a result of the action against the Court judgments in the appeal proceedings.
- **Duration:** approximately 2 years for admission and, if it is admitted, another 2 years for resolution.
- **Appeals:** the judgment is final and therefore is not actionable.

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# VII. ACCOUNTING LEGISLATION

"Spanish accounting principles are set out in the General Accounting Plan (PGC)."



## SPANISH ACCOUNTING REGULATIONS

- Basic Spanish accounting principles are contained in the General Accounting Plan (Plan General de Contabilidad "PGC") (Royal Decree 1514/2007), modified in 2010, in 2016 (Royal Decree 602/2016) and in 2021 (Royal Decree 1/2021, which aligned it with IFRS 9 and IFRS 15 for periods starting on or after 1 January 2021). This text contains five parts:
  - Accounting framework,
  - Recognition and measurement standards,
  - Annual accounts,
  - Chart of accounts
  - and Definitions and accounting entries,

  of which the first three are mandatory and the last two are optional, but massively adopted.
- There are several sets of specific rules to adapt the general principles to specific types of companies or industries, such as cooperatives or non-profit organisations.
- Consolidation rules are contained in the Consolidated Financial Statements Preparation Rules (Normas de Formulación de las Cuentas Anuales Consolidadas or NOFCAC), that were changed in 2010, 2016 and 2021, to be in line with the standards approved in 2007 with regard to the "PGC". All the conditions are mandatory.
- Both sets of regulations, together with their adaptations, were changed in order to be in line with the EU Accounting Directives (now Directive 2013/34/EU) and to be adapted to the IFRS standards in 2007.
- The accounting principles are close to IFRS but some differences still exist.
- In addition, the "ICAC" (Instituto de Contabilidad y Auditoría de Cuentas) issues clarifications and specific rules, which are mandatory.

## ACCOUNTING OBLIGATIONS

The main accounting related obligations for companies in Spain are:

- Keep detailed accounting records, following the mandatory sections of the PGC.
- Statutory annual accounts have to be prepared during a maximum period of three months after the closing date.
- Statutory annual accounts have to be approved at the Shareholders General Meeting during a maximum period of six months after the closing date.

- Statutory annual accounts have to be filed in the Public Register during the subsequent month of their approval.

## FINANCIAL STATEMENTS

- Financial statements are the main source of financial information from a company for the different stakeholders: shareholders, banks, suppliers, etc. Based on the Spanish accounting regulations, a set of financial statements can be composed by up to six documents:
  - Balance Sheet.
  - Income statement.
  - Statement of Changes in Equity.
  - Statement of Cash-flows.
  - Notes to the financial statements: they include the necessary information to understand and support the above set of financial documents.
  - In some cases, management's report.
- The accounting regulations provide mandatory templates for each one of the financial statements, depending on the size of the company, three forms are provided, a full form and a short form for normal companies and special ones for SME.

## CONSOLIDATED FINANCIAL STATEMENTS

- The parent company of a group has to prepare consolidated financial statements if the parent company and all the controlled companies exceed two of the following thresholds: 250 employees, € 11.4 million of total assets or € 22.8 million of income, during two consecutive periods.
- The consolidated financial statements have to include the parent company and all its controlling interests subsidiaries, following the IFRS requirements if they are quoted in an European market.
- The consolidation regulations, as well as the regular accounting ones, provide similar forms for the preparation of the "consolidated financial statements" prepared under the Spanish Accounting Principles.

## AUDIT REGULATIONS

Audit regulations in Spain are governed by Law 22/2015, of July 20, as amended.

- **Mandatory Audit Thresholds:** any entity that individually exceeds two of the following three thresholds during two consecutive fiscal years must submit its statutory financial statements for audit:

| Threshold (individual entity) | Limit |
|---|---|
| **Total assets** | € 2.85 million |
| **Net turnover** | € 5.70 million |
| **Average number of employees** | 50 |

- **Pending reform:** a bill published in November 2025 (Proyecto de Ley 121/000075) would raise these thresholds by 25% (€ 3,565,000 total assets and € 7,125,000 net turnover; 50 employees unchanged). At the date of this update it is still pending parliamentary approval.
- **Consolidated Audit:** a corporate group must prepare audited consolidated financial statements if it exceeds two of the following thresholds during two consecutive periods: € 11.4 million total assets, € 22.8 million turnover, or 250 employees.
- **Transparency Requirements:** audit reports must include specific regulatory statements, including compliance with country-by-country tax reporting publication obligations (Informe relativo al Impuesto sobre Sociedades / CbCR) when legally required.
- The audit activity can only be performed in Spain by registered auditors, who are accountants that have passed a specific exam. In order to practice, they must register with the Registro Oficial de Auditores de Cuentas (ROAC). The auditor has to be appointed by the shareholders, for a minimum of three years and a maximum of nine years. Once this first period has ended, the auditor has to be renewed yearly or in a three-year period.
- Auditors are financially responsible if they don't comply with the technical rules applicable, when under contract. The Spanish Auditing Standards (NIA-ES) are the International Standards on Auditing (ISAs) adapted to Spanish law, with some specific requirements.

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