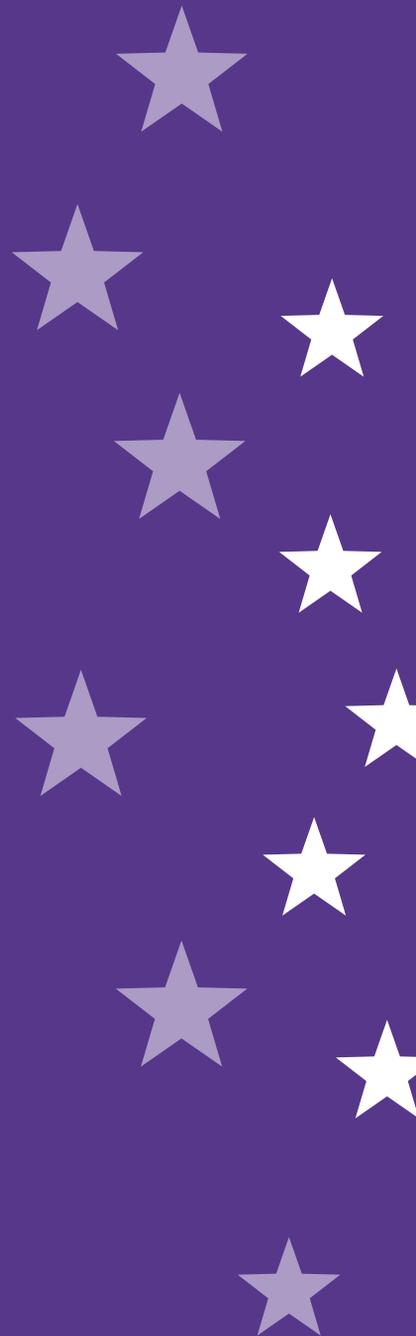




DIPUTACIÓN
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Setting up a business





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1. European Residents setting up a business in Spain:

- It is becoming increasingly more common for European citizens who decide to come and live in Spain, in particular younger people, not only to enjoy the country's excellent living conditions but also to set up some type of business.
- This desire to work in Spain can either be satisfied by working for someone else, being hired by a third party, or becoming self employed by setting up your own business. This could be done either alone or with other people.
- There is no special scheme for European citizens residing in Spain who decide to set up a business; they have to follow practically the same rules, procedures, legal and administrative requirements as Spanish citizens.
- The different public authorities provide assistance and advice to anyone who wants to set up a business, giving them information, helping them with administrative formalities and sometimes, granting them subsidies and grants.
- It is therefore important that a European resident who wants to set up a business in Spain knows about the legal requirements and administrative formalities they need to get their business up and running, which is why this guide has been written.

2. Before starting: The Business Plan

- The legal and stable development of a business activity or profession requires, as aforementioned, a series of administrative formalities to be carried out at different public authorities. It also means that the person intending to set up the business has to invest time and money and that is why it is important that both the initial decision to set up the business and also the way it is run is planned out properly.

Before deciding to set up a business the following aspects should be taken into account:

- Clearly define the business idea and the business plan that is to be implemented.
- Delimit the products and/or the services that initially are to be launched on the market.
- Find out about the environment in which the business will operate in: possible clients, potential competitors, general economic situation and the specific sector, etc.

- Analyse the ways to publicise and promote the business and its products or services.
- Calculate how much manpower, technical, material and financial resources that will be needed to set up and run the business.
- Decide on the company's legal form.

- This initial planning stage is extremely important as this is when the entrepreneur can analyse and use the aforementioned information to decide what type of economic activity they want to undertake, how to organise it, how to allocate the resources in the most effective way or what legal form they will use to operate on the market (sole proprietor, limited liability company, a cooperative ...).

- All the aforesaid information is usually included in the Business Plan or Company Plan, which is the written document used to correctly find out about or delimit all the aspects that affect the business that is to be set up.

1. Why should a Business Plan be written?

- It is useful to study the viability of the business and to anticipate possible risks.
- It makes establishing strategies and business objectives easier.
- It can be used as a guide to develop the business project.
- It is a document that can be shown to possible partners or investors to inform them about the business so that they can decide whether they want to take part in it.
- This document is always requested by the banks and public authorities so that they can analyse the project in question before they grant subsidies to set up business in question.

2. What should a Business Plan be like?

- Specific: the information included should specifically refer to the business in question, in the geographic area where it is going to operate and to the typical conditions (economic, social and technical...) that affect the project.
- Up to date: the data and information included should be up to date, as economic and business trends are constantly changing. It should be modified if the circumstances change.

- Understandable: it should be clear and understandable and at the same time give possible partners, public or private entities that could help to run or develop it an idea of the project.

- Complete: all the information that is considered to be important to implement the project should be included.

3- What should be included in the Business Plan?

- Description of the idea: it defines the business and the products or services that are going to be provided, and also any consumer needs that have not been properly satisfied up to now and which the project aims to meet.

- Marketing and commercialization: how the market is structured, clients, competitors, suppliers, the company name and the products or services that are going to be created, prices, formulas or sales campaigns, etc.

- Human resources: necessary job positions, task descriptions, wage and national insurance contribution costs.

- Economic and financial aspects: anticipated expenses and income, necessary investment and forms of financing.

- Legal aspects: the company's legal form, the tax system, occupational liabilities.

3. Legal form

- Once the Business Plan has been studied and the viability of the business project has been assessed, one of the first decisions to be made concerns the company's legal form. When making this decision the type of business to be set up has to be taken into account, even though the company's legal form can be modified at any time as long as the appropriate formalities are carried out.

- Certain criteria or matters should be taken into consideration when choosing the legal form:

- Type of economic activity.- In general, those behind a company are completely free to choose the legal form of their company, although there are certain activities that have to be carried out with a specific legal form, specific legal liabilities are not usually established for small and medium sized enterprises (SME's).

- Number of promoters. The number of people who are going to form part of the business can determine the type of legal form to be chosen. So for example, at least three people are needed to form a cooperative. When there are two or more people a certain type of partnership is normally

formed (general partnerships, Limited Liability Company, etc.). If the business is being set up by one single person they can choose between being self employed or set up a unipersonal trading company (sociedades mercantiles unipersonales).

- The promoter's liabilities regarding third parties. The promoter or promoters are liable for the debts incurred by the company according to the legal form adopted. This liability can be unlimited (they will be liable with both assets from the company and also their own assets), just like self employed workers, general partnerships or joint ownerships; or it could be limited to the company's capital and assets, just like public limited companies or limited liability companies.

- The financial needs of the project. There are very cheap formulas that can be used to set up a business, for example, becoming self employed or forming a general partnership, as neither of them have to be entered in the Companies Register, nor do they involve a Notary public, nor is a minimum start-up capital required. Limited liability companies, public limited companies, or cooperatives do require a deed from the notary, an entry in the Companies Register and minimum start-up capital (for example, for public limited companies the minimum capital needed is around 60.101,00.-€).

- Tax issues. The main difference between one legal form and another in terms of fiscal issues is the amount tax paid on the profits, it is paid either through personal income tax -(Impuesto sobre la Renta de las Personas Físicas, IRPF -abbreviated form in Spanish)- or through the corporate business tax- (Impuesto de Sociedades , IS- the abbreviated form in Spanish). Self employed workers and the other unincorporated formulas, for example general partnerships pay personal income tax. Commercial companies (limited liability companies, public limited companies, etc.) pay the corporate business tax. A percentage (tax rate) that increases according to the profits is applied to the personal income tax. This is a very low percentage to begin with but it can increase significantly in time. A fixed percentage is applied to the profits made by the company with regard to corporate business tax.

- The main legal forms that a company could adopt together with the essential characteristics required are as follows:

Unincorporated companies	Sole proprietor (Self employed)	
	General Partnership	
	Joint ownership	
Incorporated companies	Commercial Companies	Limited Liability Company
		Public Limited Company
	Third-sector undertaking (Empresas de Economía Social)	Cooperatives
		Worker owned company

TYPE	NUMBER OF PARTNERS	CAPITAL	RESPONS.
SOLE PROPRIETOR (SELF EMPLOYED)	1	There is no initial minimum	Unlimited
GENERAL PARTNERSHIP	2 or more	There is no initial minimum	Unlimited
JOINT OWNERSHIP	2 or more	There is no initial minimum	Unlimited
LIMITED COMPANY	Minimum 1	3.006 €	Limited to capital put in
PUBLIC LIMITED COMPANY	Minimum 1	60.101 €	Limited to capital put in
LIMITED COMPANY / PUBLIC LIMITED COMPANY	Minimum 3	3.006 €//60.101 €	Limited to capital put in
COOPERATIVE	Minimum 3	3.000 €	Limited to capital put in

Sole proprietor (Self employed)

Definition

- An individual who carries out a commercial, industrial or professional activity in their own name.

Characteristics

- The individual proprietor is subject to the general provisions established in the Commercial Law with regards to commercial issues and those established in Civil Law and in the Statute on Self Employed workers with regards to rights and obligations.

- The individual proprietor has complete control over the business, its management and any business decisions that have to be made.

- The company takes on the same legal personality as the entrepreneur, who is personally liable for all the obligations and debts that are incurred during the business year (unlimited responsibility). There is no difference between the business's wealth (corporate assets) and the proprietor 's own personal wealth. (Civil assets).

- This is the easiest and cheapest way to set up a business in terms of establishing and running it. Nothing else has to be done prior to its incorporation, nothing has to be entered in the Companies Register, the Tax Authorities and the Social Security Central Treasury just have to be informed at the same time as the business is actually started.

- No minimum amount of capital is required to set up the business.

- Taxes are paid via the personal income tax, Value Added Tax (VAT) - (Valor Añadido - IVA is the abbreviated form), tax returns must be made every three months and the appropriate National Insurance contributions have to be paid monthly.

General Partnership

Definition

- This is a contract under which two or more individuals agree to share money or skill and expertise and share out the profits made between them.

Characteristics

- There has to be at least 2 people to form the business although there are no special formalities required to establish it, apart from drawing up a private contract between the partners.

- General partnerships do not have to be registered in the Companies Register; minimum start-up capital is not required either.

- Tax on the profits made is paid via personal income tax, each one of the partners must declare their profits separately. The partners must pay National Insurance contributions on a monthly basis just like self employed workers except in exceptional cases.
- General partnerships do not have their own legal personality and the partner's liability is unlimited, they are liable for the company's debts with their own private assets.
- Regulations on corporate issues governing this type of company are established in the Commercial Law Code and those regarding rights and obligations are established in Civil Law
- This is one of the most popular ways for self employed workers and professionals to work together.

Joint Ownerships

Definition

- A contract by which ownership or rights are jointly owned among various people who make profits from running this activity or from having this right. For example this formula is used when various people jointly own a building and rent out the flats in it.

Characteristics

- Joint Ownerships do not have their own legal personality, and corporate issues are governed by the provisions established in Commercial Law code and rights and obligations are governed by the provisions established in Civil Law.
- A private contract which includes details about the type of contributions and the percentage in terms of the profits and losses involved that corresponds to each one of the partners in the Joint Ownership.
- Minimum start-up capital is not required and it is formed by means of a public deed once the fixed assets or real property rights have been put in.
- There has to be at least 2 partners (called co-owners), they have unlimited liability to third parties and the partners are liable for the debts incurred during the business year with their own assets
- Tax on the profits made by the partners is paid via personal income tax and National Insurance contributions are paid in the same way as for self employed workers.

Private Limited Company

Definition

- A Commercial Company in which the capital is divided into equal, indivisible and cumulative equity holdings that is provided by all the partners.

Characteristics

- The Law 2/1995 dated the 23rd of March regulates limited liability companies, one of the basic characteristics is that the partners are not personally liable for the company's debts and they do NOT have to use their own personal assets but rather those of the company itself.

- A public deed of incorporation has to be signed in the presence of a notary public and then registered in the Companies Register, which involves several start up costs.

- The company's capital which is made up of all the partners' contributions cannot be any less than 3.005,06 €. It must be fully subscribed and paid when the company is established.

- The company name (business name) must include the words "Sociedad de Responsabilidad Limitada", (Limited Liability Company), "Sociedad Limitada" Private (Limited Company) or their abbreviations in Spanish "S.R.L" or "S.L."

- The equity holding of each partner within the company depends on how many shares they own.

- A notary should always be consulted whenever any of the partners intend to transfer equity holdings. There are certain limitations with regard to transferring equity, other partners or relatives are given preference in terms of acquiring them.

- Tax on the profits made by this type of company is paid by means of the Corporate Business Tax, VAT has to be paid every three months and the company accounts have to be presented at the Companies Register annually.

- This type of company can indeed have a sole proprietor either when the company is established or later on when all the equity holdings are acquired by just one of the partners. In this case it would be a Unipersonal Private Limited Company (Sociedad Limitada Unipersonal or S.L.U.) The fact that it is owned by one individual must be mentioned in the company name and when it is registered at the Companies Register.

- New Enterprise Limited Company (Sociedad Limitada Nueva Empresa or SLNE) is a special type of Limited Liability Company, designed especially for small business projects. This is a special simplified system that makes it easier to set up the company, get it up and running much quicker and it has full legal coverage. This special type of company is regulated by the amendments made to the Law 2/1995, by the Law 7/2003, from the 1st of April on the New Enterprise Limited Company.

Public Limited Company

Definition

- This is a Commercial company whose capital is provided by the partners and then divided up into shares, they are NOT personally liable for the company's debts, and these are paid by with the company's own assets.

Characteristics

- This is the usual legal form for businesses that are made up of a large number of partners
- The Royal Legislative Decree 1564/1989, from the 22nd of December, which approved the revised text of the Public Limited Companies Act, regulates this type of company.
- A public deed of incorporation must be signed in the presence of a notary in order to establish this type of company and then this has to be registered in the Companies Register.
- The capital cannot be less than 60.102,00 €. It must be completely subscribed, and at least 25% must be paid when the company is established.
- The Company name (business name) must include the words "Sociedad Anonima"- a Public Limited Company or "S.A".
- The equity holding of each partner within the company depends on how many shares they own.
- A notary must be consulted whenever they intend to transfer shares. Transferring shares is completely free.
- Tax on the profits made by this type of company is paid via the Corporate Business Tax, VAT has to be paid every three months, the company's accounts have to be presented at the Companies register annually, the accounts are also more strictly audited by the accounts auditor and the company administrators than in a Limited Liability Company.
- This type of company can also have a sole proprietor, either when the company is set up or when all the shares are acquired by just one of the partners. In this case it would be a Unipersonal Public Limited Company (Sociedad Anónima Unipersonal or S.A.U.); the fact that it has a sole proprietor must be mentioned in the company's name and entered in the Companies Register.

Worker Owned Company

Definition

- This is a commercial company in which the majority of the capital belongs to the working partners who are personally and directly paid for the services they provide therein and whose employment relationship is for an indefinite period of time. It can be either a Public Limited Company or Limited Liability Company.

Characteristics

- This type of company is regulated by the general rules on public limited companies or those concerning limited liability companies, according to the particular case and pursuant to provisions established in the Law 4/1997, dated the 24th of March, on Worker Owned Companies

- The company name (business name) of such companies must include the words “Sociedad Anónima Laboral” (Worker Owner Public Limited Company) or “Sociedad de Responsabilidad Limitada Laboral” (Worker Owned Limited Liability Company) or failing that the Spanish abbreviated forms “SAL” or “SLL”.

- Employees who are not partners can be recruited although there are certain limitations on the number of hours they can work. There has to be at least three working partners.

- A public deed of incorporation has to be signed in the presence of a notary public and then this has to be registered in the Companies Register, prior to this the certificate proving that it has been classified as a Worker Owner Company by the labour related authorities must be submitted.

- The shares and equity in worker owned companies are divided into: Worker class (Clase laboral): those that are owned by workers who are employed for an indefinite period of time; and General class (Clase general): the others.

- None of the partners can own more than a third of the total shares that make up the company’s capital and liability for the debts is limited to the company’s own assets which means that the partners are NOT liable with their own personal assets.

- This type of company receives quite a lot public aid and significant tax reductions and National Insurance contribution allowances.

Cooperatives

Definition

- An autonomous group voluntarily established on the grounds of mutual help, to build up common wealth for the benefit of business activities aimed at satisfying the economic and social needs and aspirations of its members and which is therefore is democratically structured and run.

Characteristics

- These are commercial companies, although just like worker owned companies, they are also considered as third sector undertakings that add social values to traditional companies such as mutual aid for partners, self employment, democratic management, or egalitarian company ownership.
- The national Law 27/1999 regulates this type of company although certain Autonomous Regions have passed their own laws on such matters. In the Valencian Community it is Law 8/2003, from the 24th of March concerning Cooperatives in the Valencian Community.
- The minimum amount of capital needed to set up a Cooperative in the Valencian Community is 3.000.-€. This must be paid up in full when the company is established.
- A public deed of incorporation has to be signed in the presence of a notary public and then it must be registered in the local Cooperative Register.
- The minimum number of members depends on the type of cooperative to be formed, it is usually three.
- The fact that it is a Cooperative must be mentioned in the company's name (business name).
- Liability of the debts incurred in a Cooperative is limited to its own assets; the members are NOT liable for such debts with their own assets.
- The results from an activity carried out by the cooperative are attributed to its members in accordance with how much they actually participated in such activity.
- This type of company receives quite a lot of public aid, a significant amount of tax reductions and National Insurance Contribution allowances.

4. Steps to set up a business

- There are various administrative procedures that have to be carried out in order to set up a business. These depend on the legal form of the company adopted. The procedures needed for a sole proprietor (self employed worker) to start working, and those needed to set up a limited liability company have been included in this guide as they are the most common in terms of establishing small or medium sized businesses.

- Setting up and running other legal forms of companies is very similar to either one of the two examples that are given hereinafter, and although there are certain differences or special characteristics the general idea is the same.

Procedure for a SOLE PROPRIETOR (SELF EMPLOYED Worker)

1. Procedures concerning the Tax Authorities (Administración Tributaria)

- The sole proprietor must give notice of their registration in the Economic Activity Census (Censo de Actividades Económicas) using form 036. This form can be obtained at the Local Tax Office (Agencia Tributaria).

- At the same time and on the same form the individual registers for the Corporate Business Tax (Impuesto sobre Actividades Económicas or IAE -abbreviated form in Spanish), municipal tax (impuesto municipal), which, after the last few legal reforms, does not have to be paid by companies with less than one million euros turnover a year, although registration is still required.

- This 036 form is also used to provide the Tax Authorities with useful information about the entrepreneur's identity, the type of economic activity that is going to be set up, or the actual date when it is established.

2. Procedures concerning the Work Authorities

Registration in the Special Scheme for Self Employed Workers (Régimen Especial de Trabajadores Autónomos)

The next step for the sole proprietor and within thirty days is to register in the "Special Scheme for Self Employed Workers" by presenting form TA.0521 at the local offices of the General Treasury of the Social Security (Tesorería General de la Seguridad Social).

Registering the company (employer's number- número patronal) to recruit employees

This only has to be done if workers are going to be recruited.

In this case, the company's sole proprietor must ask for an employer's code which will not have to be renewed. This has to be done before anyone who is hired starts working. Procedures are carried out at the local offices of the General Treasury of the Social Security.

- Employees registering at the Social Security offices and on the contract register.

The sole proprietor must officially register anyone they intend to recruit at the General Treasury of the Social Security before the aforesaid employees actually begin to work.

Likewise, the corresponding contracts have to be presented at the local National Employment Office (Instituto Nacional de Empleo or INEM) in person or by e-mail so that they can be registered.

- Giving notice of the opening of a workplace for business

Any company or sole proprietor who opens up a new workplace or who resumes work after having completed considerable alterations, extensions or refurbishments to a work place must inform the Regional Labour and Occupational Safety Service (Servicio Territorial de Trabajo y Seguridad Laboral) within 30 days after starting the work.

- Acquiring and legalising the visitor's book

All companies and sole proprietors must have this book, even if they don't have any employees. Work Inspectors use it to note down formalities carried out during a visit to the company.

It is up to the entrepreneur to obtain this book (they are sold at stationer's) and present it at the Work and Social Security Inspection (Inspección de Trabajo y Seguridad Social).

3. Procedures at the Local Authorities

- Urban development compatibility certificate and Licence/environmental Report (opening)
(Certificado de compatibilidad urbanística y Licencia/Comunicación ambiental)

Before starting any type of economic activity anywhere within the Valencian Community, the entrepreneur has to ask their local Council to issue a Urban Development Compatibility Certificate (Certificado de Compatibilidad Urbanística), which is used to determine whether the activity in question is authorised at the intended business address.

Once this certificate has been issued, the entrepreneur must then write the so-called Environmental Report (Comunicación Ambiental). The entrepreneur writes this report for the local Authorities stating whether the activity they intend to carry out is a commercial, industrial activity or a service, which due to its nature or circumstances, predictably, cannot cause any type of inconvenience, affect the normal health or hygiene conditions, cause damage or put any person or thing at risk.

Typical examples of this type of activity that only require an Environmental Report are, for example: offices, small businesses, perfume shops, hairdresser's, groceries, fruit shops, herbalist's, beauty parlours, household product stores, chemist's, banks, optician's, orthopaedist's, computer shops, mobile telephone retailer's, video clubs, travel agencies, stationer's-book shops, jeweller's-watchmakers, ironmonger's, shoe shops, toy shops, furniture shops, etc.

If the activity could cause any type of inconvenience, be unhealthy, or put anyone in the neighbourhood at risk, the so-called Environmental Licence (Licencia Ambiental) is required, which means providing reliable technical reports on how to stop the activity causing any inconvenience and harm.

- Planning permission (Licencia de Obras)

If any type of building work is going to be done to the business premises, the entrepreneur has to ask their local Council for the corresponding Planning Permission, pay the established municipal taxes and clearly limit the building work to what has been officially authorised.

4. Other obligations

Sole proprietors must have a series of informative books or files that are audited for tax purposes. The books have to be legalised at the Companies Register. They can be stored on the computer and then later when they have been printed and bound they can be presented at the Companies Register.

Certain activities also need to be registered with Professional Associations (lawyers, architects, doctors) or specific administrative registers (hotel and catering, transport, safety).

Academic qualifications are needed to carry out other activities: doctors, lawyers, architects, etc. If the qualifications have been obtained outside Spain, they have to be officially recognised (homologado); this can be done at the Ministry of Education. This is easier for academic qualifications obtained inside the European Union than for those obtained in non member countries.

Procedures to Set up a Limited Liability Company

1. Applying for a Negative Company Name Certificate (certificación negativa de nombre o razón social)

This formality is done at the Central Companies Register where a Certificate is issued stating that no other company exists with the same name. A search for a maximum number of three names can be requested in preferential order.

This must be done before going to the Notary to sign the deed of incorporation. It can either be done on-line on the official web page of the Companies Register, by post or in person at the Register's offices in Madrid.

2. Bank account in the company's name

The company's start up capital that is required must be deposited in a bank. The minimum amount of capital for a private limited company is 3.006.-€. The account is opened in the name of the incorporated company.

The business name certificate must be provided. The bank or savings bank will then issue a certificate for this deposit which is later given to the Notary. The bank deposit certificate shows the names of all the partners and how much each one of them puts in.

This capital can be paid in kind, prior to the expert evaluation, although it is normally paid in cash as it is easier.

3. Executing the public deed and drawing up the articles of association in the presence of a notary

This is when the founding partners sign the Company's deed of incorporation in the presence of a notary.

The incorporation must be formalised in a Public Deed which is signed by all the partners who are going to form part of the company.

The deed of incorporation (escritura de incorporación) must contain at least the following:

- Identification of the partners: Name, address, profession, marital status and matrimonial relationship.
- Corporate purpose (El objeto social): stating the activity the company will carry out. Various activities could be mentioned. It is worth while putting a far reaching purpose, in this way later additions that involve modifying the public deed can be avoided.
- Name (Denominación): of the company to be set up. (The certificate issued by the Central Companies Register is presented).
- The business address (domicilio social) of the company's head office.
- The capital (capital social): the amount of capital subscribed or paid by each partner and the number of shares that it is divided into must be stated.
- The share transfer scheme (régimen de transmisión de las participaciones): procedure, limitations, etc.
- The company's administrative board (órgano de administración): Choosing the managers and their authority.
- The Articles (Estatutos): that are going to govern company management.

The documents to be presented at the Notary's so that the deed of incorporation can be signed are as follows:

- Fiscal Identification Code (C.I.F.-abbreviated form in Spanish).
- The Negative Name Certificate issued by the Companies Register.
- Bank statement to prove that the Capital has been deposited.
- The Partners Identification: if they are European residents, the notary will ask them for their Foreigner's Identification Number (NIE- abbreviated form in Spanish), their identification document (passport or another type of identification from their country of origin) and the certificate proving that they are indeed European residents.

It is worth asking the Notary for two extra copies of the deed as well as the master copy, as they will be needed for formalities later on.

The cost of processing the deed of incorporation at the notary's depends on the fees established by the corresponding Association of Notaries, on the equity capital of the company in question and the scope of the deed itself.

4. Obtaining a provisional Fiscal Identification Code

The Fiscal Identification Code is used to identify the company for tax purposes. This provisional code allows the company to start operating with its own number.

It should be requested from the Tax Authorities within 30 days from when the public deed is signed.

The following documents must be shown:

- Printed copy of the 036 form.
- Copy of the deed of incorporation.
- Identification of the partners.
- Copy of the applicant's identification.

This procedure should be carried out at the local Tax Offices.

The final Fiscal Identification Code, which will be the same as the provisional code, will be issued later on.

Once the provisional Fiscal Identification Code has been requested using the 036 form, and just like in the case of self employed workers, the Tax Authorities will be informed via this same tax form about the type of activity that is to be carried out, the starting date, the requested tax scheme for VAT purposes and the companies registration in the Business Corporate Tax- (IAE).

5. Paying Transfer Tax and Stamp Duty (impuesto de transmisiones patrimoniales y actos jurídicos documentados-ITPAJD -abbreviated form in Spanish)

This tax is imposed on deeds, in this case it is the company's deed of incorporation and the amount stands for 1% of the capital shown on aforesaid deed.

Form 600 has to be filled out to calculate the amount that has to be paid in tax (this is available on the Department of Economy's web page (Conselleria de Economía). The corresponding amount is then paid at one of the collaborating banks and then the following documents have to be presented at the local Settlements Office (Oficina Liquidadora):

- A filled in copy of form 600.
- Two copies of the deed of incorporation or another document that legalises the act or contract which is subject to being taxed.
- The original and one copy of the fiscal identification code.

6. Registration at the Companies Register

The Public Deed of Incorporation, together with the Transfer Tax and the Stamp Duty that has already been paid has to be presented at the Companies Register in Alicante so that the new company can be properly registered.

The documents to be presented are:

- A copy of the deed of incorporation that will be returned when registration has been completed.
- A copy of the Deed that will be added to the Register's files.
- A receipt proving that the Transfer Tax and stamp Duty has been paid.

7. Notification of the opening of a work place

This would be the same as for self employed workers.

8. Registration and National Insurance Number

The managing partners of commercial companies must register at the General Social Security Treasury in the "Special Self Employed Workers Scheme" simply for their National Insurance Contributions; this won't affect other aspects such as limited liability for company debts which the partners are not liable for.

9. Obtaining an employer's number and Registering in the General Social Security Scheme (Régimen General de la Seguridad Social)

Just like in the case of Self Employed Workers these formalities are only necessary when workers are going to be recruited.

If employees are needed the same steps as for a self employed worker have to be followed with regards to getting an employer's number and notifying the General Social Security Treasury about the existing contracts before the employees start working for the company.

10. Presenting the employees contracts at the local Employment Office

The same steps as for self employed workers have to followed here.

11. Acquiring and legalising the Visitor's books.

The same steps as for self employed workers have to followed here

12. Urban development compatibility certificate, Environmental Report, Application forms for the Environmental License and Planning Permission

The local authorities deal with all these formalities in the same way as for the self employed worker.

5. Public Aid

- The different authorities have aid, subsidy, advisory and collaboration services available to help set up businesses, these initiatives are considered valuable to promote economic and social growth and development in a certain region.
- Public aid is an important source of funding for small and medium sized businesses especially in the beginning, because it complements the others funds used to implement the business plan.
- There is a large variety of public aid and subsidies available from the different authorities:
 - Direct aid when recruiting workers
 - Allowances for National Insurance contributions
 - Tax incentives
 - Financial assistance

- Business advice
- Investment grants
- Innovation promotion grants
- Grants to help increase competitiveness
- Research and Development (R+D) Grants...

- Relevant information should be obtained from all the public authorities before setting up the business and later on when it is up and running.

- The type of assistance available will depend on the different characteristics of the business in question (its legal form, age and gender of the partners, type of employment contracts made, type of activity carried out, business location etc.,)

- The web sites of all the public authorities which appear at the end of this guide, contain information on a large variety of aid and subsidies to help set up a business.

- There is also a specific kind of aid available from certain public institutions called “viveros de empresas-business seedbeds”. These are buildings (offices, warehouses, etc.) that are available at a very low price for entrepreneurs who want to set up a business, so that they have somewhere to actually carry out their work. This type of facility usually comes with other communal services (meeting rooms, access to photocopiers, and reception service for clients) which make this option ideal to help young businesses.

- Another form of aid provided by the different Authorities are the agreements made between public and private institutions aimed at establishing mechanisms that make the administrative formalities involved in setting up a business easier and more flexible. In the Valencian Community for example, there is a entrepreneur service known as “Servicio Prop Emprendedor”, which is aimed at combining the work from different institutions (Generalitat-The Valencian Autonomous Government, Chambers of Commerce - Cámaras de Comercio, certain local firms) to help the new entrepreneur with all the formalities involved in setting up a business. In some places something similar called “ventanillas únicas- one stop corporate shops” is a programme designed to simplify and centralise the processing of all the administrative formalities needed to set up a business.

- Another similar initiative is the Enterprise Creation Advisory and Initiation Points (los Puntos de Asesoramiento e Inicio de Tramitación - PAIT -abbreviated form in Spanish), these are centres set up by different public and private institutions (Public authorities, Chambers of Commerce, Professional Associations, etc.) which provide information and advice in person to entrepreneurs about how to define and process their business initiatives on-line. Help is available for the first few years of a Limited Liability Company (Sociedad de Responsabilidad Limitada) and the Single Electronic Document (SED) - (Documento Único Electrónico or DUE) is used to begin administrative procedures involved in setting up a business.

6. Recommendations

- It is essential to have a business plan before actually setting up a business and the points mentioned in the corresponding section should be followed. A project should not be started until certain initial calculations have been made.
- On starting an economic activity, if it is a small business, an entrepreneur should opt for the easiest and cheapest type of business in terms of incorporation and management. Normally the sole proprietor or any of the other individual forms that do not have legal personality are chosen (partnership or a jointly owned company). Then once the business is up and running and starts to grow setting up a commercial company can be considered.
- It is also worth starting with the IRPF or personal income tax formula as this method, initially, and until there are considerable profits, will mean less tax has to be paid. Only when the percentage paid through IRPF-personal income tax is higher than the percentage paid through Corporate Business Tax (for SME's it is currently set at 25%) should the legal form be changed. In any case, there are more possible tax deductions for legal forms that pay the Corporate Business Tax and certain public aid is only available to commercial companies.
- If running the business becomes complicated (invoicing, preparing the quarterly and annual tax returns, IRPF-Personal Income Tax, IS-Corporate Business Tax, IVA-VAT, National Insurance contributions and other formalities at the Social Security Office), or when the entrepreneur spends too much time directly involved in the business, help should be sought from a qualified and recognised professional who can deal with the businesses administrative procedures, accounts, taxes and National Insurance contributions.
- Before implementing a business project it is a very good idea to ask for information and help from the different centres that specialise in helping new businessmen and women. This is how you can get more and better general information on the project you intend to set up and also on the public subsidies that are available.
- The initial pay-out involved in setting up a business which requires a public deed to be made and registration in the corresponding register, can be offset by limiting the partner's future liability: This helps to protect the personal assets of the new entrepreneur. What is more, commercial companies can get more allowances and have more access to public and private funding.
- Technology, especially having a web site is becoming increasingly more important for any type of business as it enables the company to operate on the network. As aforementioned there is specific aid programmes set up to help with this aspect.
- Fiscal and tax liabilities and administrative and National Insurance obligations related to running the business all have to be complied with. Non fulfilment of either could mean a fine or having to pay considerable surcharges.

7. Basic Glossary

Anyone who is thinking about setting up a business should understand the concepts mentioned in this guide book and also others that are important which appear herein below:

- Activo-Assets: Resources that the business uses to operate, all its assets and rights: capital, possessions, investment, accounts receivable, monetary resources in banks.
- Balance de Situación - Balance Sheet: The balance sheet made that shows the economic -financial situation of the company at any given time.
- Benchmarking: This is a study made to compare our business with that of the competitor in terms of quality, processes and performance, etc.
- Branding: Marketing strategies and tools that are used to create a brand or promote one that already exists.
- Ciclo de Vida de un producto - A product's life cycle: The sales of a product at different stages that are identified as being: introduction, growth, maturity and decline.
- Coste de oportunidad - Opportunity Cost: Profit that is lost due to using monetary resources on other alternative investment.
- Costes directos - Direct costs: The costs associated or attributed, regardless of the size of the activity, to a product or a certain department (for example, raw material).
- Costes fijos - Fixed Costs: Expenses that are not affected by variations in the level of production and which remain noticeably fixed for a period of time (for example, the rent paid for the facilities/buildings).
- Costes indirectos - Indirect costs: Factors or production resources that, as they affect a whole process, cannot be associated to the products (for example, the total expenses from the company's administration department).
- Costes variables - Variable costs: Expenses that vary depending on the level of production (for example, temporary staff, energy, etc).
- Demanda - demand: The amount of goods and services that consumers want to acquire under certain time and price conditions.
- Economías de escala - Economies of Scale: Economies of scale exist in an activity or a certain factor of a company when, as the level of production increases, the unit cost of the product manufactured or made decreases.
- Estados contables - Balance Sheet or Accounting statement: Information on the financial results obtained for a certain period and also the company's financial situation and assets.
- Freelance: Self employed worker.
- Fusión - Merger: When two companies are joined together to establish a new type of business to coordinate to coordinate efforts; to eliminate any repeated tasks and activities in order to create a synergy.

- Inflación - Inflation: An increase in prices, that produces a decrease in the consumer's spending power and increases the price of goods and services.
- IPC: Índice de Precios al Consumo- Consumer Price Index (IPC). Average value of a standard group of basic products. It is used as a reference to calculate the annual increase in prices.
- Objeto social - Corporate purpose: A company is created to carry out this activity.
- Oferta - Supply: Availability of a good or service to be sold at a certain price.
- Pasivo - liabilities: Debts and other business obligations.
- Publicidad - Publicity: Paid form of advertising ideas, products or services to gets the target public's attention.
- TIC - CIT: Communications and Information technology.
- Ventaja Competitiva - Competitive advantage: Characteristics of a product or an activity in the company that is better than that of the competitor and which the client considers to be important.

8. Legislative references

- Law 20/2007, dated the 11th of July, from the Self Employed Worker's Statute (Estatuto del Trabajo Autónomo).
- Law 35/2006, dated 28th of November, on Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas).
- Royal Legislative Decree 4/2004, dated the 5th of March, by which the revised document concerning Corporate Business Tax (Ley del Impuesto sobre Sociedades) is passed.
- Law 7/2003, dated the 1st of April, concerning the New Enterprise Limited Company (la Sociedad Limitada Nueva Empresa).
- Law 8/2003, dated the 24th of March, Concerning Cooperatives in the Valencian Community.
- Law 27/1999, dated the 16th of July on Cooperatives.
- Law 4/1997, dated the 24th of March, concerning Worker owned companies (Sociedades Laborales).
- The Law 2/1995, dated the 23rd of March, on Limited Liability Companies (Sociedades de Responsabilidad Limitada).
- Royal Legislative Decree 1/1994, dated the 20th of June, by which the Revised document on the General Social Security Law (la Ley General de la Seguridad Social) is passed.
- Law 37/1992, dated the 28th of December, on Value Added Tax- (Impuesto sobre el Valor Añadido).
- Royal Legislative Decree 1564/1989, dated the 22nd of December, by which the revised document on the Private Limited Companies Law (Ley de Sociedades Anónimas) is passed.
- Civil Code from 1889.
- Commercial Code from 1885.

9. Useful Addresses

- Área de Promoción y Desarrollo Local de la Diputación Provincial de Alicante. Local Promotion and Development Area of the Provincial Alicante Council. C/ Tucuman, 8. 03005 ALICANTE. Tel: 965988900. Fax: 965988949. <http://www.ladipu.com/>
- Instituto de la Mediana y Pequeña Empresa Valenciana. Valencian Institute of Small and Medium Sized Industry. Pl. del Ayuntamiento 6. 46002 VALENCIA. Tel.: 963 986 200. Fax: 963 986 201. www.impiva.es
- IMPIVA ALICANTE. Valencian Institute of Small and Medium Sized Industry. Calle Churruca 29 - Edificio Prop. 03003 ALICANTE. Tel.: 965 934 434
- Instituto de Crédito Oficial. www.ico.es. The Spanish State Financial Agency. Paseo del Prado, 4 - 28014 Madrid. Tel.:91 592 16 00. Fax: 91 592 17 00. E-mail: ico@ico.es
- Dirección Provincial de la Tesorería de la Seguridad Social. Provincial Social Security General Treasury Office. C/ Enriqueta Ortega 2. 03005 Alicante. Teléfono: 96 598 75 00. Web: www.seg-social.es
- Registro Mercantil Central. Central Companies Registration Office. C/ Príncipe Vergara, 94. 28006 MADRID. Teléfono: 91-563.12.52. Web: www.rmc.es
- Registro Mercantil de Alicante. Companies Registration Office of Alicante. Plaza Deportista Andrés Muñoz 8. 03003 Alicante. Teléfono 96.592.81.70. www.rmalicante.es
- Servicios Territoriales de Industria y Seguridad Industrial. Regional Industry and Industrial Safety Services. Conselleria de Industria, Comercio e Innovación. c/ Churruca 29. 03003 Alicante. Teléfono: 012. http://www.gva.es/industria/main_c.htm
- Servicio Territorial de Comercio. Regional Trade Service. Conselleria de Industria, Comercio e Innovación. Rambla de Méndez Núñez, 41. 03001 Alicante. Teléfono: 012. http://www.gva.es/industria/main_c.htm
- Delegación Provincial de Hacienda- Agencia Tributaria. Provincial Tax Office - Inland Revenue. Plaza de la Montañeta 8. 03001 Alicante. Teléfono 965.14 97 00 y 901 33 55 33. Web: www.aeat.es
- Servicio Territorial de Trabajo y Seguridad Laboral. Regional Work and Occupational Safety Service. C/ Pintor Lorenzo Casanova, 6. 03003 ALICANTE. Teléfono: 012 Ext.: 35213 Ext. Fax: 35208 Fax: 965 93 52 08. <http://www.mtin.es/index.htm>
- Dirección Territorial de Economía y Hacienda. Regional Board of Finance. Conselleria de Economía, Hacienda

y Empleo. Department of Economy, Tax and Employment. C/ Churruca 25. 03003 Alicante. Teléfono:012.
http://www.gva.es/c_economia/web/html/home_c.htm

- Plan avanza. Avanza Plan. Iniciativa de ámbito nacional tendente a la promoción y difusión de las nuevas tecnologías. <http://www.planavanza.es/>
- Cámara de Comercio de Alicante. Chamber of Commerce of Alicante.
C/ San Fernando 4. 03002 Alicante. Teléfono: 965 20 11 33. Web: www.camaralicante.com
- Confederación de Empresarios de la Provincia de Alicante (COEPA). Business Confederation for the Province of Alicante. Pza. Ruperto Chapí, 3. 03001 - Alicante. Teléfono: 965 140 267. Web: www.coepea.es
- Asociación de jóvenes empresarios (JOVEMPA). Young Businessmen's Association from the Province of Alicante. C/ Castaños 6, 2º derecha. 03001 Alicante. Teléfono: 965 14.17.07. Web: www.jovempa.org

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This guide was written in December 2008, pursuant to the law in force at that time. Before embarking on any type of project advice should be sought on the legal validity of the rules and regulations from the various institutions that are mentioned in the useful addresses section of this guide.



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