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**BROSA ABOGADOS Y ECONOMISTAS
ESTABLISHING A BUSINESS ENTITY IN SPAIN**



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ESTABLISHING A BUSINESS ENTITY IN SPAIN



“Establishing a Business Entity in Spain”

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1. TYPES OF BUSINESS ENTITIES

1.1 Description of the types of entities available in each jurisdiction through which to conduct business

- **Limited companies: Corporation and Limited Liability Company**

When setting up a business in Spain, either foreign or local investors generally incorporate a company. There are two kind of mercantile companies usually incorporated to operate a business in Spain: (i) Corporations or public limited companies (“Sociedades Anónimas” or “SA”) having their capital represented by shares, which are securities; and (ii) Limited Liability Companies or private limited companies (“Sociedades de Responsabilidad Limitada” or “SL”) having their capital represented by participation units (“participaciones sociales”), which are not securities (hereinafter referred to both of them as “shares”). In both cases, companies have a legal personality distinct from their partners, which are not liable for the company’s debts. Shareholder’s liability is limited to their contribution to capital. Only in exceptional cases, based on a fraudulent use of the legal personality, the shareholders shall be liable for the debts or obligations of the company.

- **Branch**

Branch is a secondary establishment operating as a representative of its parent company, but without being a separate legal entity even

though it keeps certain level of autonomy management. So, the parent company is liable for its obligations and debts. Branch develops, totally or partially, the activity of the parent company.

- **Other options**

- ✚ **Representative office**

Representative office, as well, is not a separate or distinct legal entity, and its goal is to carry out ancillary, accessory and instrumental activities focused on market prospective, information gathering, scientific research, etc.), but it does not conduct any actual business. The nonresident company is liable for all debts assumed by the representative office.

- ✚ **Joint Ventures**

Joint Ventures mostly use companies (purchasing or incorporating a corporation or limited liability companies) as vehicle, but it could just be agreed on a contract.

- ✚ **Acquiring a company**

The quickest way to open a business is to buy a shelf company (an incorporated company that has not been traded yet) instead of incorporating one. It allows to start operating immediately. It is initially faster because the company is already incorporated and registered with the Commercial Registry and already holds a NIF (Tax ID). However, different corporate changes and director’s appointment have to be made later on to tailor the company to investors’ needs and requirements.

1.2 Matters to be considered when choosing a particular business entity type

Vehicles mostly used to start up a business in Spain are (i) a company (Corporation or Limited



Liability Company, basically) or (ii) a branch. So, this guide will focus on such options.

- **Corporation vs Limited Liability Company**

Choosing between Corporation or Limited Liability Company is basically a matter of considering the following points:

- Legal requirements of each type of company. In general terms, the big difference between Corporation and Limited Liability Company is that a Limited Liability Company cannot be listed in the stock market and cannot issue guarantee bonds or other securities that acknowledge or create a debt convertible into units).
- A more flexible regulation of Limited Liability Companies in comparison with Corporations, allowing the by-laws to foresee rules to reinforce the personal nature more than the capital nature of the company. Moreover, being less formal in legal requirements in some aspects, the cost of the corporate running is lower. For example, there are fewer legal requirements relating to the publication in official gazettes of by-laws amendments, share capital required is lower, or there is no need of audit report when contributions in kind are made by the members, etc...
- Rules of shares' transfer: restriction on the transfer of shares are stronger in SL than in SA.
- Company's structure and organization: SL regulation is much flexible and leaves to shareholders a greater space to decide on how to organize the company. The mechanisms to protect the capital and the debtors of the company are stronger in SA than in SL where are replaced by partner's or director's liability.

Nowadays, companies incorporated in Spain are basically Limited Liability Companies. Corporations are usually left to large companies, based on the advantage of being easier to invest into shares that can be listed on stock exchanges and are easily transferable.

- **Branch vs Subsidiary**

When considering opening a business in Spain, the decision between establishing a branch and incorporating a company shall be taken considering that:

- To establish a branch is, in principal, simpler since legal formalities are less than to incorporate a company (no need to contribute a capital, no by-laws or articles of association).
- A Branch is not a legal entity, thus Parent company shall be liable for any liability or debt of the branch.
- Since it is not a legal entity, foreign Parent company shall appoint a resident as representative for tax purposes, who may be jointly and severally liable for tax liabilities of the branch. A branch is considered a permanent establishment under a tax point of view.
- Branches are obliged to file tax returns and financial statements of the parent company shall be submitted to the Commercial Registry.
- Non-residents who operate in Spain through a permanent establishment are generally required to keep accounting records in Spain, in accordance with the rules and procedures established for Spanish companies.

- **Other options: Representative Office**

When considering opening a representative office, it shall be taken into account that:



- It does not conduct any actual business: the purpose of a representative office is limited to certain complementary activities of the parent company.
- From a tax standpoint, a representative office could be a permanent establishment.
- Due to the lack of specific regulations of a representative office, no commercial requirements shall be met to open it. However, to execute a public deed to open the representative office, to recorder the allocation of funds, the identity of the tax representative and the labor representative (if it is the case) and its powers of attorney would be convenient for tax, employment and social security purposes.

2. STEPS AND TIMING TO ESTABLISH

2.1 Corporation or Limited Liability Company

In general terms, Companies (SA or SL, hereinafter "NEWCO") shall be incorporated by means of (i) granting the incorporation notary deed by shareholders, (ii) obtaining a Tax ID number; and (iii) registering the company into the commercial registry.

- **Documents to be obtained or grant before the signature of the incorporation deed of a Corporation or a Limited Liability Company**

- *Name of the NEWCO:* certificate of the Central Commercial Registry about the name of the NEWCO.
- *Cash contributions:* To open a bank account and to obtain a bank certificate indicating that the shareholders have deposited the funds to pay in the capital.

In case of Limited Liability Company, it is not compulsory to prove that cash contributions have been made if

shareholders state at the incorporation deed that they will be joint and severally liable for these cash contributions against the company and creditors.

- *By-Laws*
- *Shareholders and Directors of NEWCO: NIE or NIF:* The Spanish legislation requires that any individual or legal entity with economic or professional interests in Spain, or involved in a relevant way for tax purposes, must hold a Tax Identification Number "NIF" (in the case of legal entities) or a Foreigner Identity Number "NIE" (for individuals). In particular, and among other cases, a NIF/NIE must be applied for when a foreign investor makes a direct investment in Spain or in case of a shareholder or director of an entity resident in Spain.
- *Power of attorney:* in case the shareholder does not come to Spain at the incorporation execution deed, except the incorporation deed can be granted by electronic means or videoconference.
- *Beneficial owner:* the founding shareholders or their duly authorised representatives must also execute a document containing representations by the beneficial owner.
- **Execution of incorporation deed before a notary**

Shareholders or their duly authorised representatives shall execute the incorporation deed, which includes:

- *By-laws.*
- *Evidence of cash contributions, when applicable as indicated before, or contributions in kind.*
- *Appointment of directors:* directors shall accept their appointment before the



notary, by letter of acceptance or through a duly authorised representative.

- *Final beneficial owner identity*: pursuant to anti-money laundering and terrorist financing regulations funders shall provide the identity of the beneficial owner, being understood as: (i) individuals holding directly or indirectly over 25% of the capital or voting rights; or (ii) exercise directly or indirectly the control of NEWCO. When nobody holds such participation or exercises such control, it is considered to be the directors who exercise such control. In case any of the directors is a legal entity, the individual representing that entity is considered to exercise the control.
- **Tax filings**
 - *Tax Identity Code (“NIF”) for the NEWCO*: a provisional NIF shall be obtained prior to filing at the Commercial Registry, and once NEWCO is registered the final NIF will be provided by Tax Authorities (the number does not change).
 - *Registering in the Tax Census*: NEWCO shall be registered into the Census of Traders, Professionals and Withholding Agents (“Censo de Empresarios Profesionales y Retenedores”) before initiating the activity.
 - *NEWCO shall file tax return on Economic Activities Tax (“Impuesto de Actividades Económicas”)*: there is an exemption for the two first tax years and while the turnover is lower than 1 million.
 - *Incorporation of a company is taxed on Transfer Tax as exempt (tax on corporate events concerning transaction on company’s equity)*: transfer tax return shall be filed.

- **NEWCO registering in the Commercial Registry**

NEWCO can initiate its activities as from the date stated at the incorporation deed, but it will become a legal entity with legal personality separated from its shareholders upon registration.

- **Telematic incorporation Limited Liabilities Companies**

Telematic incorporation of a Limited Liability Company can be done by using the Single Electronic Document, which contains the data that shall be sent to the legal registries and to the competent public authorities.

Limited Liability Companies can be incorporated online provided that all contributions made by shareholders are monetary, not in kind, and the payment is made using electronic means.

2.2 Branch

In general terms, a Branch shall be incorporated by means of (i) granting the incorporation deed by parent company before a notary, (ii) obtaining a NIF (Tax ID); and (iii) registering the branch with the Commercial Registry.

- **Documents to be obtained before the signature of the incorporation deed of a Branch**

- *Resolution incorporating the branch passed by the parent company*: The resolution to open a branch and to grant power of attorney to its representative shall be passed by the competent body of the foreign parent company. This resolution shall be translated into Spanish.
- *Cash contributions*: To open a bank account to allocate the contribution, if any.



- *Parent company's NIF and appointment of its representative in dealings with the Spanish tax authorities:* Foreign investor shall apply for a NIF and appoint an individual or legal entity residing in Spain to represent him in dealings with the Spanish tax authorities regarding its tax obligations.
- *Obtaining the NIF/NIE of the branch directors:* Foreign Directors or attorneys-in-fact of the branch shall also hold a NIE/NIF.
- *Power of attorney:* in case the parent company representative does not come to Spain at the incorporation execution deed.

- **Public deed of incorporation**

Parent company or its duly authorised representatives shall execute before a notary the public formalization deed of the resolution to open a branch, previously adopted by the competent body of the foreign parent company. The notary will request the following documents or points that shall be incorporated to the deed:

- Evidence of the identity of the person who appears before the notary, his power of attorney to represent the parent company.
- Resolution incorporating the branch passed by the competent body of the Parent company (documents shall be translated, legalized and/or certified by apostille, as appropriate).
- Evidence of the existence of the Parent company, its bylaw and name and personal details of its directors (documents shall be translated, legalized and/or certified by apostille, as appropriate).
- Evidence of cash contributions or contributions in kind (if applicable).

- Appointment of the branch's directors and authorities granted to them.
- Name, activity and registered office of the branch.
- Final beneficial owner identity: as mentioned earlier for companies.
- **Tax filings**
 - Tax Identity Code ("NIF) for the Branch: a NIF shall be obtained prior to filing at the Commercial Registry. To apply for it, the representative of the branch shall also hold a NIE/NIF.
 - Registering in the Tax Census: as mentioned earlier for companies.
 - The Branch shall file tax return on Economic Activities Tax ("Impuesto de Actividades Económicas"): as mentioned earlier for companies and except a Tax Treaty sets forth the exemption.
 - Opening of a branch is taxed on Transfer Tax (tax on corporate events concerning transaction on company's equity), except when the parent company is a EU Company or is a company with a registered office located within EU and its center of effective management is located out of EU.

2.3 Acquisition of a Shelf Company

To acquire a Shelf Company accelerates the process of starting a business, but it is more expensive. In order to acquire a shelf company, the following steps and documents are required:

- **Execution of sale and purchase of shares deed before a notary**

Foreign investors or their duly authorised representatives shall execute the acquisition deed. Following documents shall be required:



- The title of ownership of the shares transferred.
- Buyer's and Vendor's NIE/NIF.
- Documentary evidence of the payment and how it was made.
- Final beneficial owner statement.
- If the deed is granted abroad, it shall be duly legalized.
- **Execution of corporate changes and director's appointment deed and registering with the Commercial Registry**
- **Tax filings**
 - It is basically the same as when incorporating a company, except applying for a NIF because the company already has it.
 - Generally speaking, sale and purchase of shares is tax-exempt on Transfer Tax, except for certain transactions involving indirectly transfer of real estate properties: transfer tax return shall be filed.

3. GOVERNANCE, REGULATION AND ONGOING MAINTENANCE

3.1 Brief summary of regulation of each type and ongoing maintenance, reporting requirements

See chart attached (*Annex 1*) as a summary of the main regulations of each type of company and a branch.

3.2 Requirements for local shareholding/directors

- **Shareholders and directors**

There are no general requirements for any shareholders and directors, except for specific sectors or activities where law provides specific requirements as to hold licences or

authorizations for such activity. Shareholders and directors may be of any nationality.

- **NIE or NIF**

Both, shareholders (parent company in case of branch) and directors shall hold a Tax ID number (NIE or NIF). Furthermore, in case of a branch, the parent company will have to appoint a representative residing in Spain for tax purposes.

- **Residence permit**

A residence permit will be required when the foreign shareholder or foreign director resides in Spain. There are different resident permits, some of them also allows to work. So, the permit to apply for shall be analysed in a case-by-case basis.

3.3 Minority shareholders' rights and protection

See chart attached (*Annex 2*) as a summary of the main minority shareholders' rights.

4. FOREIGN INVESTMENT, THIN CAPITALISATION, RESIDENCE AND MATERIAL VISA RESTRICTIONS

4.1 Any significant barriers to entry for an offshore party

In general terms, there are not significant barriers to entry for an offshore party, except in regulated sectors (the main ones are: financial, insurance, energy and Technology, media and telecommunications).

4.2 Any capitalisation obligations

Companies shall keep its net worth higher than half of the share capital. So, if losses reduce the net worth of the company below half of the capital (generating a "non-balance net equity" position), the company is obliged either:

- to increase or reduce the capital in order to meet that threshold, or



- to be dissolved.

To this extent, participation loans shall be considered equity.

Directors of the companies shall call the meeting to pass such resolutions. When directors fail to do so, become liable of the debts accrued after the non-balance net equity position occurs.

As an exception, due to the public health crisis context caused by COVID-19 and until the closing of the tax year initiated in 2024, losses of tax year 2020 and 2021 will not compute to calculate the non-balance net equity position and directors' liability shall not apply when dissolution cause occurred during COVID-19 state of alert.

In case of a Corporation, the law provides a mandatory capital decrease when, for more than one tax year, losses reduce the net worth of the company below two-thirds.

4.3 Any special business or investment visa issues

- **Foreign investments subject to report**

Non-resident investments are free, but they shall be reported to the Registry of Investments of Industry, Commerce and Tourism Ministry (Registro de Inversiones del Ministerio de Industria, Comercio y Turismo) at DGCI ("Dirección General de Comercio Internacional e Inversiones") for statistical and tax purposes. In some specific cases prior declaration to make the investment is required, as for example when the investment comes from a tax heaven or a non-cooperative jurisdiction and exceeds 50% of the NEWCO's capital or exceeds 500.000€ for the acquisition of real.

- **Restriction due to COVID-19**

As an exception, due to the public health crisis context caused by COVID-19 and the resulting

economic vulnerability certain foreign investment have been restricted:

- Direct investments made by investors who are non-EU-EFTA residents or when being EU-EFTA residents its beneficial owner are non-residents, and which holds at least 10% of the capital of the company or control the company.
- When affects Spanish strategic sectors; or
- When the investor is controlled by a third-country government; or
- When the investor participates in sectors that affect public order, public security and public health; or
- If there is a serious risk that the foreign investor will engage in criminal or illegal activities that affect public safety, public order or public health in Spain.
- Direct investments made by EU-EFTA residents in listed companies, or in non-listed companies when the investment value exceeds 500 million euro.

This restriction shall apply until December 31, 2024.

- **Monitoring of foreign investments**

In specific cases the Spanish companies which have foreign shareholders, and Spanish branches of non-resident persons shall file an annual report DGCI on the status of their foreign investments. The DGCI may also require the holders of investments to provide the information necessary in each particular case.

- **Foreign transactions declarations with the bank of Spain**

Bank of Spain establishes that individuals or entities (public or private) resident in Spain, other than payment service providers registered on the official registers of the Bank



of Spain, that carry out transactions with non-residents or hold assets or liabilities abroad, must report them to the Bank of Spain (“Banco de España”). This report has purely statistical and informative purposes.

4.4 Any restrictions on remitting funds out of the jurisdictions (withholdings, etc.)

- **Non-residence Income Tax: Dividends and branch’s profits, Interest and Capital Gains (coming from the dissolution of the subsidiary or closing of the branch): Non-residence Income Tax**

These source of incomes will be taxed in Spain depending on the country of residence of the offshore parent company:

- ⇒ If it is **resident in a non-EU country** with which Spain **does not have a tax treaty**: income will be taxed in Spain at a rate of 19%.
- ⇒ If it is **resident in a non-EU country** with which Spain does **have a tax treaty** (provided that there is reciprocal treatment):
 - Dividends / branch’s profits: dividends will be taxable at the reduced treaty rate and the remittance of branch’s profits will, under most treaties, be exempt from tax in Spain. In general terms, tax treaties signed by Spain set forth a dividends taxable rate in the range of 5 to 15% and, in case of Parent-Subsidiary dividends in the range of 5% to 10%, provided that the parent company holding in the subsidiary reaches mostly a percentage in the rate of 10%-to 25% (50% in some cases).
 - Interest: will be taxable at the reduced treaty rate, mostly at the range of 0-10%.

- Capital Gains coming from the subsidiary’s dissolution or the branch’s closing: tax treaty shall apply: Usually double taxation treaties provide that capital gains from a dissolution of a subsidiary or the closing of a branch shall be taxed in the country where the parent company earning the capital gains is located, except when real property assets located in Spain are involved, allowing then to be taxed also in Spain.

⇒ If it is **EU-resident / EEA-resident** (except tax heaven):

- Dividends / branch’s profits are usually tax-exempt. The exemption usually applies to dividends paid to an EEA-residence also (except tax heaven) provided that there is an effective exchange of tax information. If the exemption cannot be applied: (i) dividends shall be taxed at the reduced rate under the relevant tax treaty with Spain, and (ii) branch’s profits under most treaties, shall be exempt from tax in Spain. If there is no tax treaty with Spain and the exemption cannot be applied, the applicable rate will be 19%.
- Interest: interest paid are usually tax-exempt. Exemption also applies to EEA-resident provided that there is an effective exchange of tax information. If the exemption cannot be applied to interest, the reduced rate under the relevant tax treaty with Spain will apply. If there is no tax treaty with Spain and the exemption cannot be applied, the applicable rate will be 19%.
- Capital Gains coming from the subsidiary’s dissolution or the branch’s



closing is usually tax-exempt. The exemption usually applies to EEA-residence also (except tax haven). If requirements for exemption are not met, relevant tax treaty with Spain will apply. Usually, double taxation treaties provide that capital gains (“ganancias patrimoniales”) shall be taxed in the country where the parent company earning the capital gains is located, except when real property assets located in Spain are involved, allowing then to be taxed also in Spain. If there is no tax treaty with Spain and the exemption cannot be applied, the applicable tax rate will be 19%.

- Closing a Branch or dissolving a subsidiary is also taxed by Transfer Tax at the rate of 1% on the market value of goods and rights

refunded to the parent company, except when the parent company is an EU Company or is a company with a registered office located within EU and headquarters (center of effective management) is located out of EU.

- **Withholding tax**
 - Taxable Incomes (profits, dividends, interest, stock refunding) paid by the subsidiary or branch to the parent company taxable in Spain shall be subjected to withholding tax at a rate of:
 - 19%; or
 - at the reduced Double Taxation Treaty rate, if applicable
 - Tax-exempt Incomes: shall be not subjected to withholding tax.

**ANNEX 1: GOVERNANCE, REGULATION AND ONGOING MAINTENANCE**

	SA	SL	BRANCH
CAPITAL & SHAREHOLDER			
Number of Shareholders	<ul style="list-style-type: none">▶ Minimum 1.▶ Individuals or legal entities.	<ul style="list-style-type: none">▶ Minimum 1.▶ Individuals or legal entities.	N/A.
Minimum Capital	€ 60,000	€ 1.00 20% of the profit shall be allocated to a legal reserve until amounts €3,000 together with the capital. In the event of liquidation of the Company, partners shall be jointly and severally liable with the company, up to the amount of the difference between the subscribed capital stock figure and €3,000, provided that net worth of the company is insufficient to cover the company's payment obligations.	No minimum.
Divided into	<ul style="list-style-type: none">▶ Registered shares.▶ Bearer shares.▶ Can be negotiated on the stock market.	<ul style="list-style-type: none">▶ Quota (not-negotiable interest).▶ Cannot be negotiated on the stock market.	N/A.
Payment upon formation	25% of the face value is the minimum payment on incorporation. The rest shall be contributed according to the agreed terms. In case of non-capital contributions within 5 years.	Fully paid up on incorporation.	N/A.



	SA	SL	BRANCH
Contribution in kind	The value of the contribution in kind requires the assessment of an independent expert.	Partners are jointly and severally liable for the value of the contribution in kind. In the event of an increase of capital, directors are liable. No expert assessment is required.	N/A.
Voting rights	No privileges are allowed to alter the principal of one share one vote. However, shares without voting rights are allowed.	Privileges are allowed making it easier to change the voting rights principal of 1 share 1 vote. Shares without voting rights are also allowed.	N/A.
FINANCING SOURCES			
Listing and issuing bonds or other negotiable instruments	Can issue shares and bond or debt interest, including bonds convertible to shares.	<p>Quotas representing capital are not marketable securities. Debentures and other securities that recognize or create a debt can be issued.</p> <p>The total sum issued by a limited liability company may not exceed double their own resource value, unless the issue is guaranteed by mortgage, securities pledge, government guarantee or joint guarantee from a credit entity.</p> <p>Cannot issue or guarantee bonds convertible into quota.</p>	N/A.



	SA	SL	BRANCH
CORPORATE GOVERNANCE			
General shareholders meeting	<p>▶ Jurisdiction: It is under the jurisdiction of the general meeting to deliberate and decide on the following matters:</p> <ul style="list-style-type: none"> - Approval of annual financial statements, distribution of earnings and the approval of corporate governance. - Appointment and dismissal of directors, liquidators and, when necessary, account auditors and the institution of liability action against any of these persons. - Amendments to by-laws. - Capital increase and reduction. - Removal or limitation of preemptive or preferential subscription rights. - Acquisition, disposal or transfer to another company, of any essential assets. Assets are considered essential when the sum of the transaction exceeds twenty-five percent of the share value shown in the latest approved balance sheet. - Conversion, merger, spin-off or global assignment of assets and liabilities. 	<p>▶ Jurisdiction: It is under the jurisdiction of the general meeting to deliberate and decide on the following matters:</p> <ul style="list-style-type: none"> - Approval of annual financial statements, distribution of earnings and the approval of corporate governance. - Appointment and dismissal of directors, liquidators and, when necessary, account auditors and the institution of liability action against any of these persons. - Amendments to by-laws. - Capital increase and reduction. - Removal or limitation of preemptive or preferential subscription rights. - Acquisition, disposal or transfer to another company, of any essential assets. Assets are considered essential when the sum of the transaction exceeds twenty-five percent of the share value shown in the latest approved balance sheet. - Conversion, merger, spin-off or global assignment of assets and liabilities. 	N/A.



	SA	SL	BRANCH
	<ul style="list-style-type: none"> - Dissolving the company. - Approval of the final liquidation balance sheet. - Any other matters stipulated by the law or the by-laws. 	<ul style="list-style-type: none"> - Dissolving the company. - Approval of the final liquidation balance sheet. - Any other matters stipulated by the law or the by-laws. 	
Managing body	<p>►Types: the management of the company may be entrusted to:</p> <ul style="list-style-type: none"> - a sole director - several directors who may act jointly or jointly and severally; or - a Board of Directors <p>►Term of the post: cannot be longer than 6 years, but directors can be re-elected one or more times for terms of the same duration.</p>	<p>►Types: the management of the company may be entrusted to:</p> <ul style="list-style-type: none"> - a sole director - several directors who may act jointly or jointly and severally; or - a Board of Directors. Members of the Board of Directors in this case are limited to 12. <p>►Term of the post: will be unlimited, unless otherwise foreseen in the by-laws of the company.</p>	<p>►Representative resident in Spain, who acts as attorney of the branch in the name and on behalf of the parent company for all purposes, particularly tax purposes. The attorneys in fact of the branch are appointed by the parent company.</p> <p>►Term of the power of attorney: the parent company usually grants the power of attorney without a limit of time that can be cancelled at any time by the parent company.</p>
REPORTING REQUIREMENTS			
Annual accounts and reports	Company must keep proper accounting records to show transactions and current financial	Company must keep proper accounting records to show transactions and current financial	Non-residents who operate in Spain through a permanent establishment (Branch) are generally required to



	SA	SL	BRANCH
	<p>position of the company.</p> <p>Financial statements shall be:</p> <ul style="list-style-type: none"> ▶ Drafted clearly and present a true and fair view of the company's net worth, financial position and net income; ▶ Filed with the Commercial Registry; and ▶ Audited, except when two of the following requirements are met 	<p>position of the company.</p> <p>Financial statements shall be:</p> <ul style="list-style-type: none"> ▶ Drafted clearly and present a true and fair view of the company's net worth, financial position and net income; ▶ Filed with the Commercial Registry; and ▶ Audited, except when two of the following requirements are met 	<p>keep accounting records in Spain, in accordance with the rules and procedures established for Spanish companies.</p> <p>Foreign company's Financial statements:</p> <ul style="list-style-type: none"> ▶ Drafted according to its local law. If it is not required to prepare, have audited and publicly disclose accounts according to local law or it is obliged in non-equivalent manner to the Spanish legal provision, it is still required to file accounts concerning branch activity in Spain as if it was subject to Spanish Law. ▶ Filed with the Commercial Registry: <ul style="list-style-type: none"> - Branch financial statements - Foreign company financial statements



	SA	SL	BRANCH
	<p>on the closing date of two consecutive tax years:</p> <ul style="list-style-type: none"> - Their assets do not amount to over €2,850,000. - Their net yearly turnover is not in excess of €5,700,000. - Their average number of employees during the year is not over 50. 	<p>on the closing date of two consecutive tax years:</p> <ul style="list-style-type: none"> - Their assets do not amount to over €2,850,000. - Their net yearly turnover is not in excess of €5,700,000. - Their average number of employees during the year is not over 50. 	

ANNEX 2: MINORITY SHAREHOLDERS' RIGHTS

RIGHT	SA	SL
Right to attend meetings	The by-laws may subject eligibility to attend the general meeting to ownership of a minimum number of shares (never greater than 1/1000 of the share capital).	All members are entitled to attend the general meeting. The by-laws may not make attendance at general meetings contingent upon ownership of a minimum number of stakes.
Right to request to convene a meeting	Shareholders holding at least 5% of the share capital.	Members holding at least 5% of the capital.
Information Right	<p>Shareholders may request, from directors, any information or clarification they deem necessary regarding the items on the agenda of the meeting.</p> <p>Directors shall be obliged to provide the requested information, unless said information be deemed</p>	<p>Members may request, from directors, any information or clarification they deem necessary regarding the items on the agenda of the meeting.</p> <p>Directors shall be bound to provide such reports or clarification except where, in the governing body's</p>



RIGHT	SA	SL
	<p>unnecessary for the recognition of the shareholders' rights or there be objective reasons to consider that it may be used for reasons detrimental to the company's best interests or where publication of the same may prejudice the company or associated companies.</p> <p>Information may not be withheld when requested by partners representing at least 25% of the capital.</p>	<p>opinion, disclosing such information may be detrimental to the company's interests.</p> <p>Information may not be withheld when requested by partners representing at least 25% of the capital.</p>
<p>Financial Statements and accounting Information Right</p>	<p>Any shareholder is entitled to obtain the documents that have to be submitted to the general meeting for financial statements approval, and, as appropriate, the management and auditor's reports.</p>	<p>Any member is entitled to obtain the documents that have to be submitted to the general meeting for financial statements approval, and, as appropriate, the management and auditor's reports.</p> <p>Any member holding at least 5% of the capital, may examine (with an expert accountant) the accountancy and documents substantiating the financial statements, unless otherwise provided in the by-laws.</p>
<p>Appointing auditor (when is not mandatory)</p>	<p>Shareholders representing at least 5% of the share capital are entitled to request auditor appointment to audit the financial statements for a specific financial year.</p>	<p>Members representing at least 5% of the share capital are entitled to request auditor appointment to audit the financial statements for a specific financial year.</p>
<p>Right to proportional representation at the Board of Directors</p>	<p>Shares that are voluntarily grouped to constitute share capital amounting to or exceeding the sum resulting from dividing the capital by the number of members of the board of directors, shall be entitled to designate the number of members deduced from the proportion of share capital so grouped, rounding any fractions.</p>	<p>Unless provided in the by-laws, minority partners cannot be represented in the board in proportion to their stake in the company.</p>



RIGHT	SA	SL
To challenge company resolutions	Shareholders representing either individually or jointly, at least 1% of the share capital are entitled to challenge company resolution (subject to challenge according to law). The by-laws may reduce the mentioned percentage.	Members representing either individually or jointly, at least 1% of the share capital are entitled to challenge them (subject to challenge according to law). The by-laws may reduce the mentioned percentage.
Right to exit the company	<p>Shareholders not voting in favor of the respective resolution, including non-voting shareholders, shall be entitled to exit the company in any of the following circumstances:</p> <ul style="list-style-type: none"> - Supersession or amendment of the corporate purpose. - Extension of company term. - Company reactivation. - Creation, amendment or early cancellation of ancillary commitments, unless otherwise provided in the by-laws. - Company conversion into a different type of company and relocations of the registered office abroad. <p>The by-laws may establish causes for exit other than provided in Law.</p>	<p>Members not voting in favor of the respective resolution, including non-voting partners, shall be entitled to exit the company in any of the following circumstances:</p> <ul style="list-style-type: none"> - Supersession or amendment of the corporate purpose. - Extension of company term. - Company reactivation. - Creation, amendment or early cancellation of ancillary commitments, unless otherwise provided in the by-laws. - Company conversion into a different type of company and relocations of the registered office abroad. - Amendment of shares transfer rules. <p>The by-laws may establish causes for exit other than provided in Law.</p>
Right of exit due to failure to distribute dividends (not applicable in listed companies).	Unless otherwise provided in by-laws, after the fifth year from the date of the company's registration on the Companies Register, any shareholder who voted in favor of distributing the corporate dividends and had protest due to the insufficiency if dividends approved shall have the right to exit, in the event that	Unless otherwise provided in by-laws, after the fifth year from the date of the company's registration on the Companies Register, any shareholder who voted in favor of distributing the corporate dividends and had protest due to the insufficiency if dividends approved shall have the right to exit, in the event that



RIGHT	SA	SL
	<p>the general meeting does not agree to distribute at least 25% of the legally distributable profits of the previous financial year, provided that the Company had profits in the 3 previous years.</p> <p>However, even if the aforementioned circumstance occurs, the right of separation will not arise if the total dividends distributed during the last five years are equivalent to at least twenty-five percent of the legally distributable profits recorded during said period.</p>	<p>that the general meeting does not agree to distribute at least 25% of the legally distributable profits of the previous financial year, provided that the Company had profits in the 3 previous years.</p> <p>However, even if the aforementioned circumstance occurs, the right of separation will not arise if the total dividends distributed during the last five years are equivalent to at least twenty-five percent of the legally distributable profits recorded during said period.</p>