



How to set up in the Canary Islands

Institutional Support

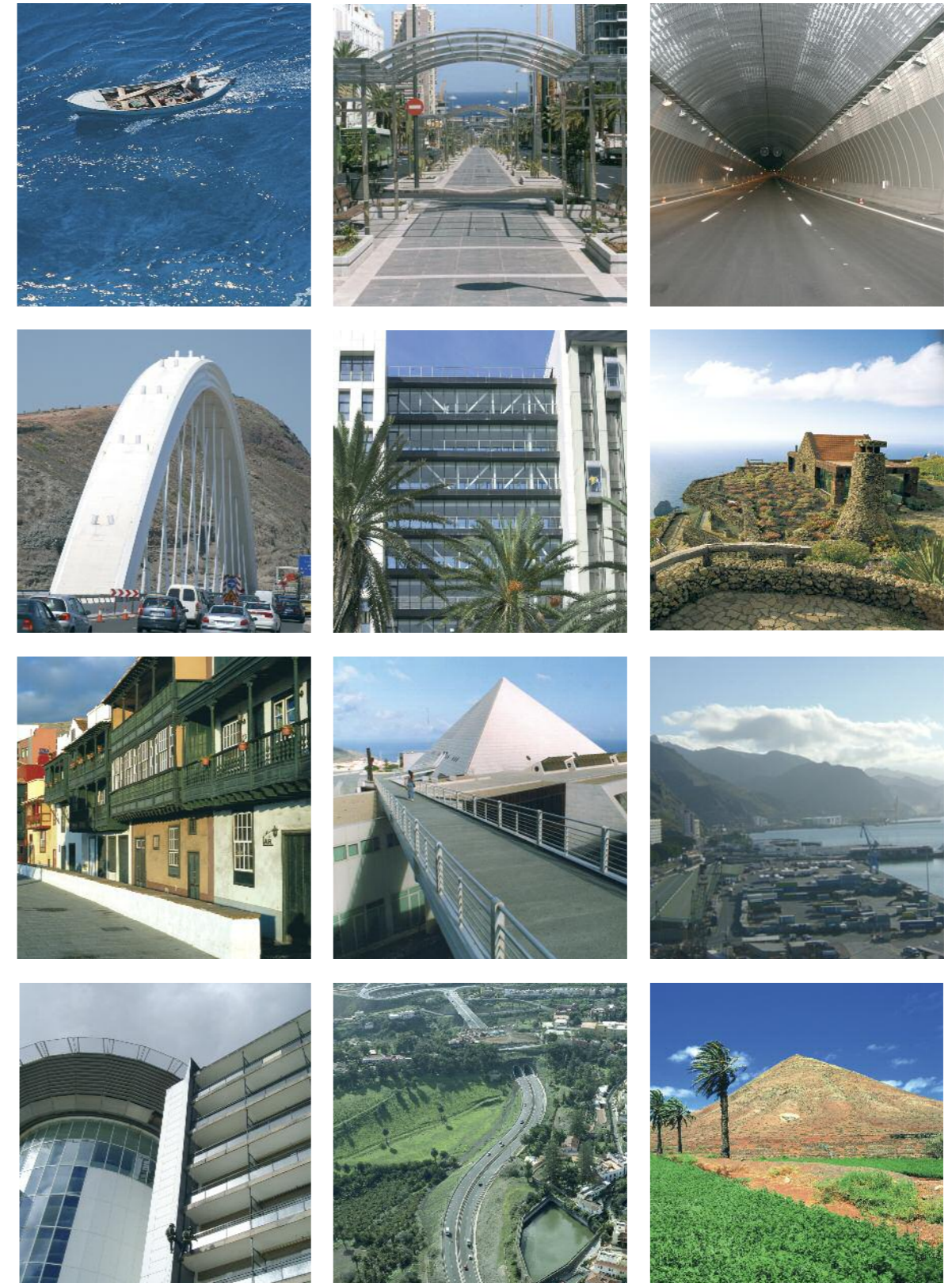
The Canary Islands Government decisively supports investment in strategic sectors on the Islands. For this reason, the Division of **Investing in the Canaries of PROEXCA**, the publicly-owned company attached to the Regional Ministry of Economy, and treasury has entrusted to it an Agency for the Promotion of Investments of the Canary Islands region. We offer a **confidential and free** advisory service to those companies or projects in strategic sectors with interest in setting up in the Canary Islands and during **all the stages of the investment process**; from planning and evaluation to the establishment and future monitoring of the investment:

PROEXCA services:

- **Permanent information service related with the Canaries** including: permits, operating licences, industrial land, subventions and subsidies, specialist human resources, intellectual property, sources of financing and investment, or any other necessary productive factor.
- Preparation of **sectorial reports** adapted to each business project.
- Preparation of **programmes of individualised meetings** according to the requirements of each business initiative.
- Establishment of **networks of cooperation** and search for synergies with other possible agents for the success of the investment.

In its turn, the Consortium of the Canary Islands Special Zone (ZEC) has a multilingual technical staff which will attend free of charge to the demands of investors who are interested in setting up in the Canary Islands.

- Advice on the Economic and Fiscal Regime of the Canaries (REF). The staff of the ZEC Consortium are specialists in taxation and will clarify for you any doubt that you may have on the advantages and fiscal exemptions, of which the businessperson who chooses the Canaries to do business can take advantage.
- Help for the businessperson in all the process of handling the authorisation to operate as a ZEC entity (orientation on the documentation to be presented, advice on drawing up the descriptive report on the activity and a guide in the preparation of the business plan).



Legal forms in Spain

Individual Businessman or Businesswoman

Advantages	Drawbacks
<ul style="list-style-type: none"> • Ideal for companies of limited size. • Fewer steps are necessary for incorporation. It is not necessary to register in the Company Registry. • The most economical way of setting up. • There is no requirement for a minimum initial capital. • The company is managed personally. 	<ul style="list-style-type: none"> • All the risk falls upon the businessperson. • He is responsible for the debts of his business with the property of the business and his own. • The owner of the company must face the costs and the investments alone, and also with management and the administration. • If the volume of profits is high, the tax rate of Income Tax will also be high.

Community of Goods/ Civil Company

Advantages	Drawbacks
<ul style="list-style-type: none"> • Few steps necessary for incorporation with minimal complexity and costs. • There is no requirement for minimum initial capital. • Fiscally, it pays in accordance with its earnings; the profits of the Company are imputed to the partners on the basis of their agreement. • The risk of creating a company does not fall upon a single person. 	<ul style="list-style-type: none"> • The owners are responsible for the debts of the company with the property of the business and with their own property. • It does not have a legal personality. It has no rights or obligations.

Limited Liability Company

Advantages	Drawbacks
<ul style="list-style-type: none"> • The liability of the shareholders is limited to the capital supplied to the Company. • The condition of shareholder is freely transferred by the sale of shares. • It has a vocation of expansion. The capital takes precedence over the shareholders. 	<ul style="list-style-type: none"> • High minimum initial capital (60,000.00 €). • Formal rigour and complex organization. At least one Meeting of Shareholders must be called every year. • Obligation to deposit the annual accounts at the Company Registry. • Fiscal costs of 1% on the figure of the Corporate Capital at the moment of incorporation in Capital Transfer Tax and Stamp Duty

Private Limited Liability Company

Advantages	Drawbacks
<ul style="list-style-type: none"> • Liability limited to the capital contributed. • The same democratic nature in the organs of Government as with Public Limited Companies. • Demands less formal rigour in its organization and less minimum initial corporate capital (3,005.06 €) than the Public Limited Company. • This is the form of company that is chosen by the majority. 	<ul style="list-style-type: none"> • Requirement of minimum capital of 3,000.0 euros which must be fully subscribed and paid up at the moment of incorporation. • At certain levels of profits, the fixed rate of taxation is of 25-30% on Company Tax for companies of limited size, which may be a disadvantage in comparison with the variable rate of Income Tax. • The stockholdings cannot be freely transferred without the consent of the other stockholders. • Fiscal costs of 1% of the figure of Corporate Capital at the moment of incorporation on Capital Transfer Tax and Stamp Duty.

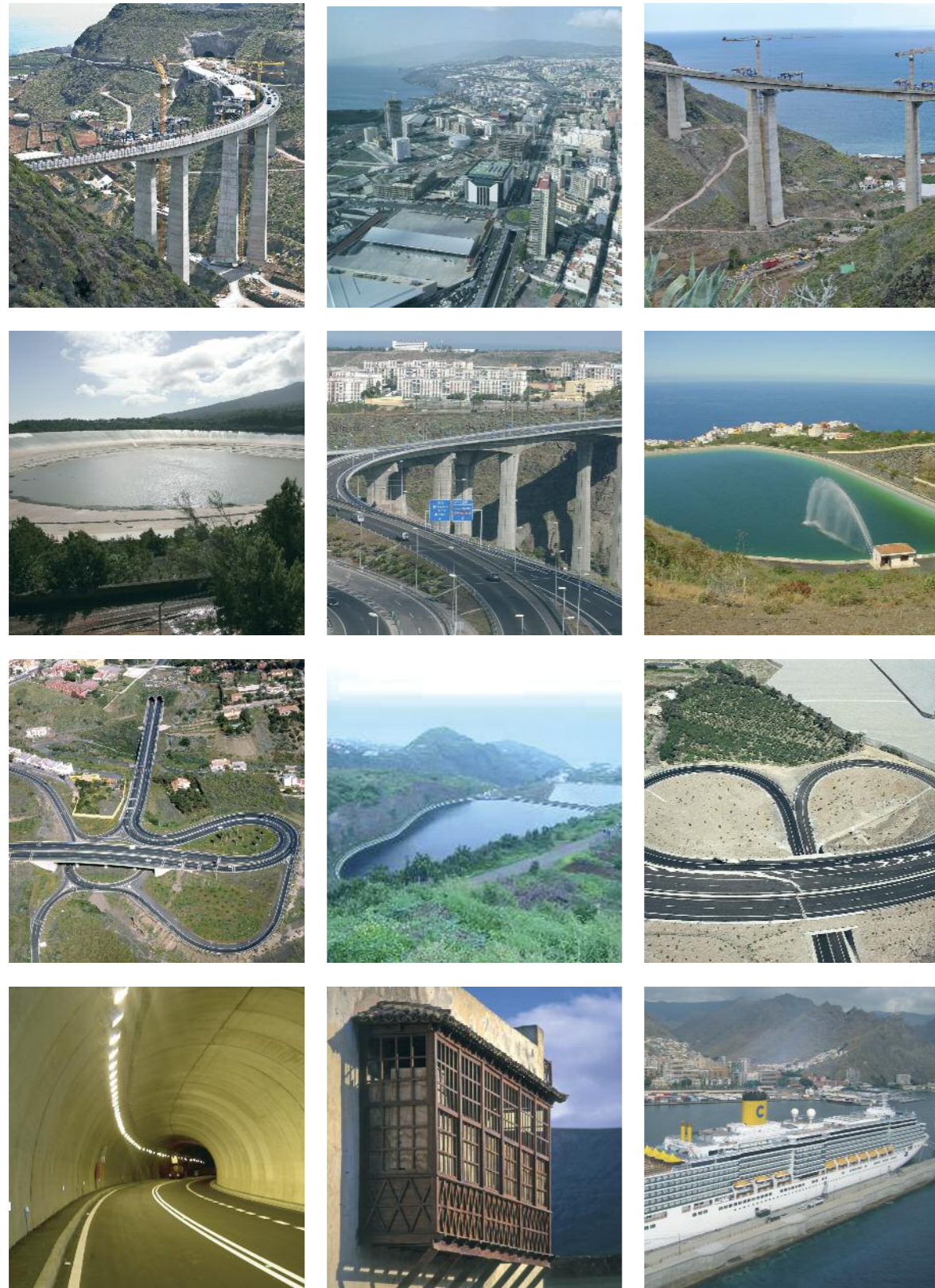
Limited New Business Company

Advantages	Drawbacks
<ul style="list-style-type: none"> • Use of electronic, telematic and computerised forms which notably speed up the time necessary for incorporation and registration. • Limited liability of the capital supplied. • There is no minimum number of shareholders, (single-member company). • Accounting can be carried out using a single register. 	<ul style="list-style-type: none"> • Requirement of minimum capital of 3,012 euros and maximum of 120,202 euros. • At certain levels of profit, the fixed rate of 25-30% on Company Tax for companies of limited size may be a disadvantage in comparison with the variable rate of Income Tax. • The number of founding shareholders may not be greater than five.

Source: www.creacionempresas.com

Official Chambers of Commerce, Industry and Shipping of Santa Cruz de Tenerife and of Gran Canaria.

Legal forms in Spain



Employee-Owned Companies

Advantages

- Liability of the partners is limited to the capital subscribed by each one.
- The working partners have control of the Company.
- It is obligatory to devote a percentage of the profits to the Reserve Fund.
- They have allowances and exemptions in their incorporation (ITP and AJD, IAE...).
- Especially favourable regulations on subsidies and aids.

Drawbacks

- Requirement of minimum capital.
- More complex corporate organs, in the case of two kinds of shares (Shares of the working shareholders and shares of non-working shareholders).
- The shares cannot be freely transferred.
- Limited hiring of indefinite workers.

Cooperative Companies

Advantages

- Do not need a minimum social capital for its creation.
- The shareholders can be incorporated or resigned voluntarily.
- All the shareholders participate in the company organs with the same rights.
- Its main objective is the general welfare of the workers and not the economic profit.
- Its compulsory to assign a percentage of the profits annually to the Reserve Fond and to the Educational and Promotion Fond.
- Allows the capitalisation for unemployment.
- It has allowances and fiscal exemptions in the taxes of (ITP, AJD and IAE).
- Favourable aid regulation.

Drawbacks

- The administration management can bring out problems and discussions regarding the organization and the smooth running of the Cooperative.
- The number of working hours of the workers can not be over the 30% of the total annual working hours carried out by the shareholders workers.

Legal forms in Spain

4.2.1 Comparative table of the different companies

Source: www.creacionempresas.com

Official Chambers of Commerce, Industry and Shipping of Santa Cruz de Tenerife and of Gran Canaria.

	LEGAL FORM	BASIC LEGISLATION	NUMBER OF SHAREHOLDERS/PARTNERS	MINIMUM CORPORATE CAPITAL	LIABILITY	SOCIAL SECURITY REGIME OF THE WORKING PARTNERS (RETA: Special Regime of Self-Employed Workers)	FISCAL REGIME (Income tax: Tax on income of Individuals)	ORGANS OF ADMINISTRATION
Individual Businessman (sole trader)	Individual Businessman (sole trader)	Civil Code	1	Does not exist legally	Unlimited	RETA	IRPF	The businessperson himself/herself
	Civil Company	Civil Code	2	Does not exist legally	Unlimited	RETA	IRPF	Sole administrator, a number of joint administrators or all the partners
	Common Ownership	Civil Code	2	Does not exist legally	Unlimited	RETA	IRPF	Administrators: one, several or all the partners
Trading Companies	Public Limited Company	R.D. Leg. 1/2010 of 2 nd July	1	60,000€ Minimum paid up 25%	Limited to the corporate capital supplied	General Regime or Self-Employed	Company Tax	General Meeting of shareholders, Board of Directors or administrators
	Private Limited Company	R.D. 1/2010, of 24th March. Regulations of the Company Registry	1	3,000€ Totally subscribed and paid up from the start	Limited to the corporate capital supplied	General Regime or Self-Employed	Company Tax	General Meeting of shareholders, Board of Directors or administrators
	Limited New Business Company	Act 7/2003, of 1st April, of the SLNE R.D. 682/2003 7th June, R.D. Leg 1/2010 of 2 nd July	1 (between 1 and 5 individuals at incorporation)	Between 3,012 and 120,202€ by means of monetary contributions	Limited to the corporate capital supplied	General Regime or Self-Employed	Company Tax	Unipersonal or pluri-personal organ made up of shareholders
Special Trading Companies	Employee-owned Company (SLL or SAL)	Act 4/97, of 24th March, on employee-owned companies	3 At least two must have an indefinite contract	According to whether it is an SLL or a SAL	Limited to the corporate capital supplied	General Regime or Self-Employed, as appropriate. Possibility of election	Company Tax	General Meeting of Shareholders, Board of Directors
	Cooperative Company	Act 27/1999, of 16th July, General Cooperatives Act special to each of the Spanish Regions	Cooperation of 2nd degree: min. 2 Coop	Depends on what is set down in its Articles, but no shareholder may hold more than 1/3	Limited to the corporate capital supplied	General Regime or Self-Employed (All partners opt for the same regime)	Company Tax	General Meeting, Governing Council, Intervention

Steps required to set up a business activity

4. HOW TO SET UP IN THE CANARY ISLANDS

Steps for the Company creation

Source: www.creacionempresas.com

Official Chambers of Commerce, Industry and Shipping of Santa Cruz de Tenerife and of Gran Canaria.

PROCEDURE	PLACE	WHAT IS IT FOR	OTHER
Negative Certificate of Denomination	Business One-stop Shop or Central Company Registry	This certification accredits that the name selected for the Company does not coincide with a pre-existing name.	Deliver the application for negative certification at the offices of the Business One-stop Shop (VUE), which will deal directly with the Company Registry to obtain the certificate.
Opening of a bank account in the name of the company	Banking institution	The partners must make their contributions to the initial Corporate Capital by opening a bank deposit.	The minimum paid-up Capital will vary according to the type of company chosen. As a consequence of the contributions made, the partners will receive a Bank Certificate.
Drawing up the Articles of the Company	Lawyer's or notary's office.	The articles govern the internal juridical relationships of the Company. Obligatory minimum contents: - Denomination - Object - Domicile - Date of closure of the corporate financial year - Corporate capital and Stockholdings - Organization of the Administration of the Company	The Articles must be adapted to the characteristics of the company which it is intended to incorporate. For this purpose, although the content is defined for each kind of Trading Company in its respective regulatory regulations, the founding partners may include all licit agreements and conditions they deem appropriate.
Execution of Public Deed of Constitution and Approval of Articles	Notary	This involves the signing by the founding shareholders of the Deed of Incorporation before a Notary and the approval of the Articles of the Company. Once the deed is executed, the notary will inform the Registry, and the company's name will be registered.	At this moment, it is necessary to present: - The Certificate of Denomination from the Central Company Registry. - The Bank Certificate to accredit that the Corporate Capital is totally paid up. - The Corporate Articles in the Public Deed of Incorporation, if it is being dealt with directly and not through the Notary's Office. - The National Identity Document of all the partners. The Deed of incorporation must be registered in the Company Registry, within the period of two months to be counted from the date of execution.

Steps required to set up a business activity

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Steps for the Company creation

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Official Chambers of Commerce, Industry and Shipping of Santa Cruz de Tenerife and of Gran Canaria.

PROCEDURE	PLACE	WHAT IS IT FOR	OTHER
Application for the Fiscal Identification Code (C.I.F)	Business One-stop Shop (VUE) or Tax Office	It serves to fiscally identify the Company. The consequence is the assignation of a provisional Fiscal Identification Code for six months, the period to take out the definitive Fiscal Identification Card , which must be presented, also at that moment, together with the provisional Fiscal Identification Code and the photocopy of the Deed of Incorporation with the corresponding registration in the Company Registry, using Form 036 .	The application for the Fiscal Identification Code must be made within the space of thirty days from the incorporation. Documents to present: - Official form, filled in (Form 036) and signed by all the shareholders, the administrator and the holder of power of attorney. - Photocopy of the Deed of Incorporation. - Photocopy of the National Identity Document of the Shareholders, administrator and holder of power of attorney.
Liquidation of Capital Transfer Tax and Stamp Duty (ITP and AJD)	Business One-stop Shop or the Regional Ministry of the Economy, Tax Office	It is obligatory to register for these taxes. By means of this liquidation 1% of the capital contributed is paid (the part devoted to investments set down in the REF is exempt).	In order to register and liquidate it is necessary to fill in Form 600 .
Registration in the Island Company Registry and publication in the Official Journal of the Company Registry (BORME)	Company Registry	With the registration of the company in the Company Registry its incorporation is published in the BORME. All of this means that the Company acquires legal personality and that it is effective against third parties in good faith.	Registration must be applied for in the two months following upon the execution of the public deed, presenting: - First copy of the public deed of incorporation and of the CIF. - Certificate of Denomination from the Central Company Registry. - Document in evidence of the Capital Transfer Tax and Stamp Duty.

Source: *Invest in Spain Foreigners' Guide*. Prepared by Cuatrecasas, Gonçalves Pereira. www.investinspain.org

The Spanish legislation in the matter of immigration distinguishes between the cases of foreigners subject to the European Community regime and foreigners to whom the general rules on immigration are applied.

Nationals of Member States of the European Union

Those foreigners under the European Community regime, from other Member States of the EU, the European Single Space and Switzerland, do not need to obtain a work permit as an employee or with self-employed status, and can carry on their work under the same conditions as Spanish nationals.

- Residents in the Canary Islands from the EU: **179.588**
(source *INE Census 2012*)
- Residents in the Canary Islands not from the EU: **131.114**
(source *INE Census 2012*)

Nationals of non-EU countries

Those foreigners to whom the European Community regime is not applicable will need an authorization to work and reside in Spain and a special visa to work. Those employers who wish to hire a non-EU foreigner must previously obtain the authorisation of the Ministry of Work and Social Affairs. Nevertheless, the lack of authorization to work will not invalidate the contract of employment with regard to the rights of the foreign worker nor will it be an obstacle to obtaining the benefits to which he might have a right.

When the foreigner has resided legally in Spain in a continuous manner during five years renewing his work and residence permits (whether as an employee or self-employed) he can obtain a permanent residence permit. Once this authorisation has been obtained, the worker should apply for a foreigner's identity card, which will be renewed every five years.

Recently, a Decision of the Council of Ministers has been approved by which the procedure for authorising working and residence of foreign-

ners in whose professional activity there are reasons of economic, social or employment interest; reasons relating to the conduct of work of research and development which requires a high qualification; or for artistic performances of great cultural interest. In these cases, access to the authorisations of workers and their families is simplified.

Application for a Foreign Citizens Identification Number (NIE)

Without prejudice to the foregoing provisions in relation with obtaining the work and residence permit, foreigners who are able to stay on Spanish territory must obtain a personal number, which is unique and exclusive: the Foreign Citizens Identification Number (NIE).

The NIE is granted by the General Directorate of the Police at the request of the interested party. This number must feature on all documents issued as well as the stamps in his passport or analogous document.

For the NIE, to be assigned, the interested party must present the documents described below at the Foreigners Office or at the General Office for Foreign Nationals and Documentation of the Police in the place where he is resident, as well as having to prove that he is not in Spain in an illegal manner:

- Application for the NIE: The form can be downloaded from the page of the Ministry of the Interior: http://www.mir.es/SGACAVT/modelos/extranjeria/modelos_extranje/ex_14.pdf
- Original passport and a photo of the passport, duly legalised and, if applicable, apostilled and with a sworn translation if the language of the document is not Spanish.

For the case of those interested in obtaining the NIE who cannot come personally to the competent authorities in Spain as they are in their country of origin, there is also the possibility of obtaining it at the Spanish diplomatic mission or the consular section located in the country of residence abroad, where the documents in proof of the reason of the examination have to be produced.

The period for obtaining the NIE is between 30 and 60 days as a maximum.

Employment regime

In the Canaries applied the same requisites, in terms of hiring, collective agreements and minimum wage, than at Spanish national level. In the same terms are applicable the ranges of Social Security contribution per worker.

The main characteristics are:

- 40 weekly working hours
- 30 natural days of holidays per year

Annual variation of minimum wage settled up by the Spanish Government

- 2013: 645.30 euros/month

For more information see the chapter *Employment Regime of the Spanish Doing Business Guide* in www.investinspain.org

Complementary Information

Business One Stop Shop

Source: *Ventanilla Única Empresarial*
www.ventanillaempresarial.org/

Over the last few years, the Public Administrations of the Canaries (Ministry of the Revenue, Ministry of Work and Social Affairs, Ministry of Public Administrations, Ministry of the Economy, Canary Islands Government, Island Authorities and Local Authorities), together with the Superior Council of Chambers and the Official Chambers of Commerce, Industry and Shipping of Santa Cruz de Tenerife and of Las Palmas have devoted a great effort to facilitating the **creation of companies**.

As one fruit of this cooperation, the **Ventanilla Única Empresarial or Business One Stop Shop has been created, in which** a team of experts from the Public Administrations and the Chambers of Commerce are available to the employer to help him in the different phases of creation of his business, from the definition of the project to the definitive start up.

Among others, the Business One Stop Shop offers the following services:

Integral procedures:

- **Fiscal procedures:** obtaining the Fiscal Identification Code, registration in the Tax on Economic Activities (IAE), Registration for Canarian Indirect General Tax (IGIC), Census Declaration, issue of fiscal labels, etc.
- **Procedures for Work and Social Security:** Registration of the company and opening of an account for contributions, affiliation and registration of the workers in the corresponding regimes, formalisation of the cover of professional risks with the Social Security, etc.
- **Authorizations and Registers of competence of the Canary Islands Government,** according to the particular activity to be carried out.
- **Authorizations of competence from the Island Authorities,** according to the activity to be carried out.
- **Municipal Licences:** licences for the activity, licences for building work, licences for occupation of the public domain.
- **Information** on the requirements and steps, at national, regional and local levels, that are necessary for the creation of the company.

