

## The New Spanish Create and Grow Law: Setting Up a Limited Company with a Capital of just 1 Euro, Business Digital Transformation and B2B E-invoicing.

On 22<sup>nd</sup> of September 2022, the Spanish Congress approved the Create and Grow Law (C&Glaw). On 29<sup>th</sup> of September the said law was published on the Spanish Official State Gazette,<sup>1</sup> and it became enforceable on 19<sup>th</sup> of October 2022 with the exception of certain rules, whose application will commence subsequent to that date.<sup>2</sup>

Below, we address the key points of the Spanish Create and Grow Law.

### Setting Up A Limited Liability Company Electronically With The Minimum Amount Of Capital Of Just 1 Euro

Pursuant to the C&Glaw, a limited liability company can be set up in Spain with a minimum capital amount of just 1 Euro, as opposed to the 3,000 Euros formerly required.

However, for the purpose of safeguarding the interests of creditors, the limited liability company must at least allocate 20% of its profits to its legal reserves until the said reserves, together with the company's capital, reaches the amount of 3,000 Euros.

Additionally, if the company goes into liquidation, and if its assets are insufficient to meet its obligations, the shareholders shall be jointly and severally liable for the balance between the amount of 3,000 Euros and the company's capital.

With the aim of simplifying the administrative processes and reducing the cost of setting up a Spanish Limited Liability company, the Create and Grow Law establishes measures to improve the services of the Centre and Business Creation Network (*Centro de Información y Red de Creación de Empresas*) allowing setting up a limited liability company by submitting the called Single Electronic Document (*Documento Único Electrónico*).

Some of those measures are, but is not limited to, the following:

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<sup>1</sup>[la Ley 18/2022, de 28 de septiembre, de creación y crecimiento de empresas.](#)

<sup>2</sup> Chapter V with regards to crowdfunding platforms will come into force from 10 November 2022.

- I. The founders of a limited liability company will be able to adopt, if they wish to, a standard table of articles of association provided by the online system as in the United Kingdom.
- II. The publication of the registration of the limited liability company in the Official Gazette of the Mercantile Registry will be exempt from payment of any fee.
- III. The online system will provide a standard model of authorisation which can be used by the limited liability company to authorise to individuals or other companies to act on its behalf.

## Combating Late Payment

The Create and Grow Law establishes the creation of the State Private Late Payment Observatory (*Observatorio Estatal de la Morosidad Privada*) with the aim of monitoring and analyse data on payment deadlines and promoting good payment practices.

Its actions include the publication of an annual list of defaulting companies that do not pay on time a percentage higher than 5% of their invoices or the total amount of unpaid invoices is higher than 600,000 euros.

According to article 4 of the Spanish Law 3/2004 of 29 December<sup>3</sup> regarding payments in commercial transactions, the maximum period within which the debtor must pay any outstanding debt to a creditor is 30 days, unless the two counterparts set up another date of payment, which cannot exceed 60 days.

However, it is not uncommon for those deadlines not to be met and due to that, small and medium-size business can suffer lack of liquidity.

In order to combat late payment, the Create and Grow Law establishes that a company which does not makes a payment within the period mentioned above, will not be entitled to apply to any public subsidies nor be eligible for take part in public contracts.

## Mandatory B2B E-invoicing

Pursuant to the Create and Grow Law, electronic invoices must be used in all commercial relations between companies and self-employed people. This measure not only contributes to reinforce the digitalization of the business operations, but also

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<sup>3</sup> <https://www.boe.es/buscar/act.php?id=BOE-A-2004-21830#:~:text=Esta%20Ley%20tiene%20por%20objeto%20combatir%20la%20morosidad%20en%20el,entre%20empresas%20y%20la%20Administraci%C3%B3n.>

guarantees greater traceability and control of payments for the public administration in order to combat the late payment mentioned above.

Companies and self-employed individuals with an annual turnover over eight million Euros, must use the e-invoicing system within a year after regulatory development is approved, while companies and self-employed individuals with turnover under eight million Euros, must use the e-invoicing system within two years after the Create and Grow Law comes into force.

According to the Create and Grow Law, businesses and self-employed must give free of charge access to their e-invoices, which should be readable, printable and downloadable.

In addition, said access to must be maintained for up to four years since the invoices were produced.

If businesses or self-employed individuals do not comply with the e-invoicing regulation, they could face a fine of up to €10,000.

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