

The new Spanish Start-up Law: Tax cuts and benefits for investors

On 6th July 2021, the Spanish Government unveiled a draft bill, known as a Startup Law, with pro-start up rules as a part of the transformation plan aiming for Spain to become an Entrepreneurial Nation by 2030 creating and spearheading an innovative economic model.

What is a Startup?

A start-up is understood as an innovative company in an early stage of development that bases its business activity on technology in order to grow faster and larger. Pursuant to article 3 of the draft bill, in order to be eligible to enjoy the benefits provided for the new Spanish start up law, the company should meet the following requirements:

- a) Be newly created or if not being newly created, with no more than 5 years elapsed since its incorporation, in general, or 7 years in the case of biotechnology, energy and industrial companies.
- b) It has not arisen from a merger, spin-off, or transformation operation.
- c) Have their registered office or permanent establishment in Spain.
- d) 60% of the workforce must have an employment contract in Spain.
- e) Be an innovative company.
- f) Not distribute or have distributed dividends.
- g) Not be listed on a regulated market or a multilateral trading system.

How do we know that our startup is innovative for the purpose of the new Spanish legislation?

As we mentioned before, the new Spanish start-up law will apply to companies who meet the requirement of ‘‘being innovative’’, among others, but how we can conclude whether a start-up is innovative for the new Spanish start up rules propose?

Pursuant article 4 of the said law, entrepreneurs must contact ENISA (*Empresa Nacional de Innovación SME S.A.*)¹ which is a state-owned company who will assess whether or not the start-up is innovative for this purpose.

Which are the main benefits provided by the new Spanish startup law?

The tax rate for start-ups in corporate income tax and non-resident income tax (IRNR) is dropped, from the general rate of 25% to 15%.

Also, with the aim of promoting investment, the new rules raise the maximum deduction base for investment in start-up companies from 60,000 to 100,000 euros per year. In addition, the deduction rate increase from 30% to 40%.

Moreover, this new law envisages the possibility for start-ups to request a deferral of the tax due on corporate tax for a period of 12 months.

On the other hand, in order to make simple the bureaucratic process, non-resident investors are no longer required to obtain a foreigner’s identification number (NIE) and they only will need to obtain a tax identification number (NIF).

Spain’s Entrepreneurial Nation Strategy

With the aim of becoming the number one country in Europe for investment in innovative entrepreneurship, the Spanish Government has announced the implementation of 50 measures to provide support on the innovative entrepreneurial field. These measures include and are not limited to the following:

Connected Industry 4.0 project, which has the objective of providing a strategy to support companies in their digital transformation².

The Spanish National Department of Traffic (*Dirección General de Tráfico*) leads the project *Plataforma de vehículo conectado 3.0*³ where the Spanish Government proposes the increased of new technologies, automation, big data and 5G to improve the vehicles’ connectivity.

¹ <https://www.enisa.es/en>

² <https://www.industriaconectada40.gob.es/Paginas/index.aspx>

³ https://www.dgt.es/es/el-trafico/dgt-3-0/copia_index.shtml

Also, the Spanish Government has approved an Integrated National Energy and Climate Plan⁴ 2021-2030 where promotes energy efficiency and renewable energy. Also, encourages to consumers to become active players in the energy transition.

In addition, Spain will launch the National Entrepreneurship Office to coordinate and organise support services for entrepreneurship in collaboration with public and private agents.

Spain will use its Next Generation EU subsidy which is approximately €1.5 billion to put these ideas into action.

When will be possible access to the benefits provided by the new Spanish startup rules?

We are expecting the official announcement from the Spanish Government.

If you want to be updated about this topic, send an email to london@scornik.com and you will receive the latest news.

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⁴ https://ec.europa.eu/energy/sites/ener/files/documents/es_final_necp_main_en.pdf