



LAW TO SUPPORT ENTREPRENEURS AND THEIR INTERNATIONALISATION

Council of Ministers

24 May 2013



ENTREPRENEUR SUPPORT PLAN

- *Strategic Lines of Action:*
 - To facilitate entrepreneurial culture and initiative
 - Tax and social security support for entrepreneurs
 - Support to help finance entrepreneurs
 - To foster business growth and new hirings
 - To foster the internationalisation of Spanish companies and economy



MAIN MEASURES ADOPTED

- **Driving entrepreneurship and self-employment of young people:**
 - **50€ flat rate** Social Security contribution for new self-employed contributors under the age of 30.
 - **Compatibility of unemployment benefits** with start of entrepreneurial activity.
 - Extension of possibility to **capitalise unemployment benefits** and **return to collecting benefits** after engaging in entrepreneurial activity.
- **Tax incentives:**
 - **Specific incentives for new companies and entrepreneurs commencing a business activity**, for two tax years, as from first positive tax year:
 - ✓ Corporate Income Tax: reduced rate of 15%.
 - ✓ Personal Income Tax: 20% reduction on net profit.
 - **Full Personal Income Tax exemption on capitalised unemployment benefits** for unemployed who decide to embark on entrepreneurial activity.
- **Funding:**
 - **ICO** credit lines aimed at **SMEs**: 22 billion euros.
 - Drive investment in the **Alternative Stock Market** (Spanish acronym: MAB).
 - Foster **development of alternative markets** specialised in corporate debt.
 - **Supplier Payment Plan**: 28.46 billion euros paid out in two phases.
- **Foster business growth and new hirings:**
 - **Entrepreneur Support Contract**: Permanent employment contract incentivised with tax deductions and benefits for new hirings by SMEs (up to 4,500€).
 - **Recruitment incentives**: Up to 100% reduction in corporate social security contributions for new hirings recruited by self-employed and micro-enterprises.
- **Promote internationalisation of businesses**: Reform of the **network of bodies that support internationalisation** and measures to boost **credit for exports**.



RESULTS OF MEASURES ADOPTED

- **Registration of entrepreneurs:** Since 1 March 2013, **more than 30,000 new young self-employed workers have registered.**
- **Tax incentives:** More than 75,000 new companies and self-employed workers **can make annual savings of more than 180 million euros in total.**
- **Supplier Payment Plan:** Settlement of **5.6 million outstanding invoices from almost 150,000 suppliers** by regional governments and local authorities via the first Supplier Payment Plan in 2012 and extension thereto approved in 2013.
- **Entrepreneur support contract:** **102,513 new contracts** signed since February 2012, more than 40% with young people. 25,253 signed so far in 2013.
- **Training and apprenticeship contract:** 27,678 contracts signed from January to April 2013. **73.3% increase** on same period of 2012.
- **Work experience contracts:** 12,064 contracts signed from January to April 2013. **A 23.08% increase** in number of contracts signed **this month** compared with 2012.
- **Greater SME weighting in export sector:** In 2012, the number of companies whose exports did not exceed 50,000 euros **increased by 15%**, accounting for 73% of the total.



ENTREPRENEUR ACT (I)

To facilitate entrepreneurial culture and initiative

- *To foster entrepreneurial spirit within the education system:* Incorporation of **specific objectives** at all levels of education to foster entrepreneurial initiative, skills and training.
- *Limited liability entrepreneur (Spanish acronym: ERL):* Liability from business debts **will not affect the primary residence**, provided its value is under 300,000 euros.
- *Limited liability capital growth company (Spanish acronym: SLFS):* Possibility of incorporating companies with **less than 3,000 euros of share capital**, under certain conditions that ensure third parties are protected and oblige the company to strengthen its equity.
- *Speeding up the incorporation of companies:*
 - **Entrepreneur service points:** One-stop window, that will unify VUE, VUDs and PAIT, through which all administrative procedures can be carried out for the start, exercise and termination of corporate activity.
 - **Incorporation of limited liability companies**, more flexible, quicker and more efficient, through simplified paperwork and telematic processes (using the DUE and the CIRCE telematic processing system).
- *Second chance:*
 - **Fast-track and efficient out-of-court mechanism for negotiating debts** designed for entrepreneurs with imbalances between their assets and liabilities.
 - **Greater protection for limited liability self-employed workers and business owners** facing seizure procedures from tax and social security authorities that affect their primary residence.



ENTREPRENEUR ACT (II)

Tax and social security support

- **Application of cash-accounting VAT for the self-employed and SMEs:**
 - **A special voluntary regime for cash accounting VAT for self-employed and SMEs** is established, which allows VAT to be paid when the invoice is collected rather than when it is charged.
 - Almost **1.3 million self-employed** and more than **1 million SMEs** may benefit under this system.
- **Corporate Income Tax incentives for investment**
 - **To foster reinvestment of profits in economic activity:** Companies with a turnover of less than 10 million euros may deduct up to 10% of profits obtained in the tax year in which they reinvest in economic activity. This regime will also apply to the self-employed.
 - **Tax benefits for investment in R&D+i:** R&D+i deductions applied during the year may be recovered through a unique tax return system in Spain.
 - **Extension of tax incentives for certain intangible assets (Patent Box):** Revenue obtained from their assignment will enjoy a tax reduction of up to 60%.
- **Promotion of business angels through Personal Income Tax incentives: Tax benefits for individual investors** that temporarily participate in new and recently incorporated companies (seed capital and business angels).
 - **20% deduction in State Personal Income Tax quota,** for investment made in company. Maximum base for deduction of 20,000 euros per annum
 - **Full capital gains exemption on exiting company,** provided reinvestment made in another new or recently incorporated company.
- **Fostering multi-jobbing:** With reductions in social security contributions.



ENTREPRENEUR ACT (III) Support to help finance entrepreneurs

- **Internationalisation covered bonds:** Asset secured by loans earmarked for internationalisation of companies or for exports.
 - Regulation on **internationalisation covered bonds** is streamlined and made more flexible.
 - New more flexible instrument created: “**internationalisation bond**”.
- **Flexibility in refinancing agreements**
 - **Flexibility and legal certainty** in procedures for appointing independent expert.
 - **Reduction in majorities required** for approval of agreement.



ENTREPRENEUR ACT (IV) Driving business growth

- **Reduction in administrative burdens**
 - **Periodic review of business climate and proposal for regulatory improvements.**
 - **“One in-One out” Clause:** Each administrative burden introduced must be offset by the removal of at least one burden with an equivalent cost.
 - **Specific measures for reducing administrative costs:**
 - ✓ Reduction in charges for State statistics services and for managing occupational risk prevention.
 - ✓ Reduction in accounting costs, extending the possibility of drawing up abbreviated balance sheet.
 - ✓ Possibility of telematic legalisation of compulsory books at Companies Register.
 - ✓ Availability of a new electronic visit book for labour inspections.
- **Access by entrepreneurs to public sector contracts**
 - Facilitate **contact between small entrepreneurs** that wish to form joint ventures by registering them in the Official Register of Bidders and State Classified Companies.
 - **Increased thresholds for classification requirements** in public contracts for specific work and for services.
 - **Adaptation of system of collateral** to possibilities of entrepreneurs for public sector contracts.
 - **Simplification of paperwork:** The initial submission of documentation substantiating compliance with conditions for submitting a bid may be replaced by a declaration of responsibility.
 - **Express prohibition on discrimination in favour of previous contractors.**
 - **Fight against late payment:** Reduction in term for contractor to terminate contract.



ENTREPRENEUR ACT (V)

Internationalisation of companies and of economy

- ***Strategic Plan for Internationalisation of Spanish Economy:*** This will include a **system to evaluate and oversee** its instruments.
- ***Strengthening of internationalisation support bodies:***
 - **Scope of action of foreign and regional network** of Ministry of Economic Affairs and Competition is boosted.
 - **Role of ICEX España Exportación e Inversiones** [Spanish export and investment service] is **strengthened**.
- ***Improved financial instruments to support internationalisation:*** Foreign Investment Fund (Spanish acronym: FIEF), Fund for Internationalisation of Companies (Spanish acronym: FIEM) and Agreement for Reciprocal Balancing of Interests (Spanish acronym: CARI).
- ***Greater access by companies to public tender projects of international financial institutions*** in other countries.
- ***Attract investment and talent to Spain,*** by facilitating and speeding up **issue of resident permits** for:
 - Investors of significant economic or general interest sums of money.
 - Entrepreneurs engaged in innovative activities with a special economic interest, which particularly focus on job creation.
 - Highly qualified professionals.
 - Foreigners that relocate to Spain within a framework of labour or professional relations, or for reasons of vocational training, for the entire duration of the relocation.



START-UP IN 3 – PUBLIC ADMINISTRATION SERVICES

- *System of telematic administration for incorporation and start-up of a business activity:*
 - Platform developed with the **participation of central government, regional governments and local authorities**, represented by the Spanish Federation of Municipalities and Provinces (Spanish acronym: FEMP).
 - Enables completion of **paperwork necessary with all three tiers of government simultaneously**: The system notifies local councils of the model declarations of responsibility.
 - It uses **technological resources already available to the public authorities**, thus incurring no form of implementation costs.
 - ✓ CIRCE: information system under the Ministry of Industry, Energy and Tourism.
 - ✓ SARA network: which connects with all the Spanish public administration services.
 - ✓ Local authority portal.