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 hires
  - 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**.
• **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.
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.
• **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: FLEX), 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.