

The Spanish limited liability company (Sociedad Limitada/ S.L.) - the appropriate legal entity for foreign investors?

If an investor intends to do business in Spain, he will usually want to implement this project by founding or buying a commercial company.

It is also possible to take the first steps on Spanish soil by establishing a subsidiary or a mere permanent establishment. However, legal peculiarities have to be considered.

The Spanish law knows partnerships of the civil code (Sociedad civil) and the commercial code (Código de Comercio/ CCom). The latter include the general partnership (Sociedad colectiva) and the limited partnership (Sociedad en comandita).

However, the aforementioned trading companies no longer have any great practical significance in Spanish business life.

As in Germany and other European countries, **limited liability companies** dominate in Spain, namely the Spanish private limited company (**Sociedad Limitada/S.L.**).

Overall, the Sociedad Limitada is a suitable company entity for foreign investors.

The Spanish Sociedad Limitada can be established quite quickly and comparatively inexpensively.

In a Sociedad Limitada, the personal liability of the shareholders is fundamentally excluded. The Spanish law also offers a high degree of flexibility and room for manoeuvre. As the Sociedad Limitada is known and trusted to Spaniards as a legal entity, it is also a suitable corporate structure for joint ventures with Spanish companies/ partners.

Only 3,006 euros have to be paid into the Spanish private limited company as the minimum start-up capital. However, if a Spanish public limited company (Sociedad Anónima) is founded, at least 60,000 euros must be raised as start-up capital.

The Spanish limited liability company is established by notarial deed (Escritura pública). However, the Sociedad Limitada only acquires legal personality with its entry in the commercial register (Registro Mercantil). The notarial deed of incorporation must be signed by all shareholders or by proxy. The founders of the company can be natural or legal persons. It is also possible to found the Sociedad Limitada with only one partner (Sociedad unipersonal).

The certificate of the central commercial register (Registro Mercantil Central) in Madrid that the chosen company name is permissible must be obtained before the

foundation. The company itself is entered in the local commercial register. Once the certificate of incorporation has been drawn up, a provisional tax number (Código de Identificación Fiscal/CIF) must be applied for from the relevant tax office. This provisional CIF tax number is valid for six months.

Also of great practical importance is the early opening of one or more bank accounts so that the established company can pay the costs of incorporation and become active during the incorporation phase. The registration of the established company in the commercial register can only take place once the CIF is available in addition to the notarial deed of incorporation.

Summary and Conclusion:

The foundation of a Spanish private limited company (Sociedad Limitada) is usually a highly complex and less transparent process for foreign investors. Here, foresight and a detailed plan should be used, also to keep the founding process as short as possible and to avoid additional costs. Therefore, the involvement of a lawyer who is familiar with the local conditions is recommended in any case.

Even the standard procedure of founding a Sociedad Limitada requires inter alia the participation of Spanish notaries, registers, financial institutions and authorities.

In individual cases, it must also be thoroughly examined whether a special official permit is required for the intended entrepreneurial activity. In the event of non-compliance with statutory regulations, there is a risk of, among other things, significant fines for the limited liability company, its shareholders and executive bodies as well as other official sanctions, including the closure of the company.