

## Payment Diary

Before the 5th Hand in your accounts.  
Before the end of the month Pay your social security

April/July/Oct/Jan 20th Last day to pay your quarterly taxes and some annual models as well

End of March/June/Sept & Dec Last day to pay rubbish & signs licence

April 30th Last day to pay car tax. Models 190 & 347

May 30th Last day to hand in annual accounts – personal tax

May 31st Last day Model 415

June 10th Collect your Model 101

June 20th Last day pay Model 101

June 30th Pay your rates. Present negative 101, Last day models 200/201

November 30th Pay your fiscal licence

December 20th Model 202 (SL Companies)

This information is given as a guideline, the authorities have the right to change the dates when necessary – always ask first. TIBC are not responsible for late payments nor changes in any details.

Deductible items Business rental Photocopier rental, Office installations (not new equipment), Repairs to office equipment including light bulbs, small repairs etc., Vehicle repairs, Lawyers, accountants, etc, (Relating to your business only) Notaries, Translations, General insurance, bank charges on your business accounts only, Commissions, Credit card commissions, Advertising, Entertaining clients, presents to clients, subscriptions (federations etc, music playing rights) Electricity, water, cleaning materials, community charges, stationery, official stamps, photocopies/faxes, petrol, telephone, taxis, parking (not fines), air fares, hotel accommodation, postage, messenger, couriers etc, Car hire, pre-opening costs, exchange rate losses or gains, fiscal rubbish collection, Town Hall (all licences) originals must accompany your accounts) staff wages, supported with the signed payslips, casual wages not allowed. Tax retentions on wages, social security payments, canteen, life insurance, bank interest, depreciation. Income Sales, commissions received, sale of equipment, cars etc.

It may sound strange, but included with this leaflet is a list of the dates on which your payments should be made. May we suggest that you pin it to the back of your door. It's a solitary place that you have to visit daily, then you won't be able to say, that we didn't tell you when you have to pay for things.

Social security for a self-employed person is payable at the end of the first month your business is "signed into the system" and every month thereafter. You are able to make arrangements with your bank for them to be paid on direct debit, but you have to ensure that there are sufficient funds in the account to cover otherwise you will be fined for late payment.

The other alternative is that you can make arrangements with TIBC for us to pay the social security account directly from your bank account. But this is only possible if you bank with Santander. Social for staff members is paid at the end of the month following their start in your business. You will need to pick up your TC1 from our office and take it to your bank, or make arrangements with TIBC as above.

You should also have a bank account that is strictly for business only. Copies of the statements of this account need to be included in your accounts. All we ask is that if you have paid someone with a cheque that you mark the invoice with an enormous B, that way we will understand that it has been paid via the bank.

On a quarterly basis, you will be required to present certain tax forms. A model 115 if you rent premises. (Which is the rent that is withheld - currently standing at 15%) A model 130 or 131 depending on your tax system, a model 110 if you employ staff, which is the same as PAYE back home. A model 420 or 421 which is your IGIC (VAT) if you have passed the VAT ceiling. There are other models for SL Companies. On an annual tax basis, there are other tax forms. And your payment diary, will list these and when they have to be dealt with.

Please do not ignore your tax or social liabilities, as there are heavy fines for late payments which if still remain unpaid could end up being an embargo on something you own. It costs a lot more to remove an embargo.

Our office should also hold a copy of your rental contract for your business premises and this should be updated every time you are handed a renovation. We cannot prepare the Model 115 without it.

To employ staff that have never been legalized in Spain before, you need to obtain a copy of their passports and their personal details. If they have previously been employed in Spain, please obtain a copy of their "residencia -. Social security card and NIE number" Before requesting that a contract of employment be drawn up. Please decide how many hours, the length of time the contract should run and their position in the company. Some of your legal paperwork will take time to process, but once you have been given copies, please make sure that all are visible to any inspector that may walk in. If you own a bar, you should have a wooden box on the wall, placing all legal paperwork in that box. This should include copies of your food handling course receipt or certificate.

Make sure that your stock is properly insured, break-ins do happen even in paradise. Make sure you keep all your paperwork for 5 years, 7 for the social security. Most importantly don't throw anything away; you never know when you will need it. That's why our office looks like it does!

Finally – we are unable to process work for persons or companies that do not settle their bill in full on a monthly basis. Let's face it; if you were a greengrocer, you wouldn't let us walk out with a pound of oranges if we hadn't paid for them. Please remember that it is our intention to help in the smooth running of your business, but we do need a little input from you.

## Tenerife International Business Centre SL



*A guide to starting your own business*



*Always there when you need us!*

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## Starting out



Starting a new life

As more and more foreigner's move to Tenerife to start a new life, the demand for quality products and services in all areas is growing, leaving the market open for new entrepreneurs wanting to start their own businesses in Spain. There are however several fundamental issues that must be addressed in order to ensure

all goes to plan. Before undertaking any business venture in Spain you will have examined the market to ensure there is sufficient demand for the product or service you will be providing. Bearing in mind that the market here is very different to that in your home country. As an EU citizen you have every right to start a business in Spain, so once convinced of the viability of your new business venture there are certain steps you need to take before you get started.

Step 1. Apply for an N.I.E number (Numero de Identificacion Extranjero). This is simply an identification number given to foreigners and is mainly used for tax purposes. To apply for an N.I.E. you will need a valid passport, copy of the reason for the application such as a work contract, complete the application form and usually your number will be available for collection at the local Police station within one month.

In Spain, a business must be registered on two levels, firstly at local level, for which you will need to register your business with the local town hall and obtain an opening license (Licencia de Apertura), which will clearly outline your business and how it will trade.

At national level you will register with the Agencia Tributaria or Hacienda as it is known locally and the equivalent to the Inland Revenue (The

Agencia Tributaria will require presentation of your tax forms on a regular basis). You will need to be fluent in Spanish to undertake the form filling on your own, otherwise employ the services of a professional who will do all the hard work for you.

The next step is to decide on the format of your business, similar to the UK with PLC and Ltd companies. You will need expert advice as to which type best suits your business.

Persona Fisica is equal to a Sole Trader with the business being run in one persons name only.

Comunidad de Bienes is a partnership where several individuals will come together to form a business.

Sociedad Limitada is a limited company with registered shareholders and a set minimum trading capital in the bank, which currently stands at 3005€.

Sociedad Anonima is a larger company with a large minimum trading capital. This SA Company also has shareholders.

### Tax Contributions

Whether you are a resident in Spain or not, and you have an income here, you may be liable for tax payments as in any other country. As a foreigner it can be a complicated and costly situation so you will without doubt need specialist advise, in which TIBC can help you.

Self employed resident taxes are paid on a quarterly basis, these should be paid before the 20<sup>th</sup> of the month following the end of the quarter, i.e. January, April, July, and October. Tax in this bracket is charged at 20% of the profit when you are placed in the direct taxation scheme. If you decide when you open your business, and your tax bracket allows, you may apply to be in the modular system – however be warned that if you take this route, then come hell or high water you will be required to pay a set rate of tax each quarter – without excuses! Personal allowances come into force in the “declaration de la renta” (see details below) done during the months of May and June annually.

On a plain sheet, indicate your family situation, i.e. inclusion of any family member over the age of 75, if any children have married whilst resident in Spain or anyone has become handicapped. Stickers from the tax office, (it may be that TIBC already have these Wage slips, pension certificates, widows pension, family aid for children, relating to Spanish income only (does not

matter if they are in money or kind) Certificate of earnings on income or costs charged by your bank (all bank accounts in Spain please.

Payments or receipts for money earned or spent on housing, rental of shops to third parties and any other money received whether they are from Property or others, (hand written details please) Again only relates to Spain. If you are working – money received from professional acts, company, farming both module and direct tax schemes. Spanish income only. Money received or benefits from the purchase – sale of state investment schemes (Spain only) Credits from stocks, shares, dividends, money received for being a Spanish company director. Money received from co-op farming, from your own farm or from a farm that you rent, ask for a statement from the co-op. A list of purchases or sales of property, stocks and shares, supply Prof. Rates payments for the previous year on property that you own in Spain. Spanish life insurance Receipts for payment to builders of your new home, either built or in construction, Mortgage receipts Rental receipts showing name, address and nif number of the owner. Receipts for notary fees, plus valia or registration of the property Child care receipts for children under 3.

**This only relates to your Spanish financial dealings, and for the previous year. The Spanish tax year runs from January 1<sup>st</sup> to December 31<sup>st</sup>. So presentation of these documents in May, relate to the previous year.**

You are required to keep books on your business; these should be handed in to our accountant at the very latest by the 5th of every month. We cannot guarantee that your taxes will be ready if you are unable to keep up with us. You should hand in your accounts in, alphabetical order (not date order) with a sheet covering your income listed daily.

**TIBC SL**

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