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With the aim of promoting investment, employment, competitiveness and economic growth, the Spanish State and all other public authorities have been developing a broad range of aid instruments and incentives specially targeted at boosting indefinite term employment, regional investment and research, development and technological innovation (R&D and TI).

Furthermore, since Spain is an EU Member State, potential investors are also able to access European aid programs, which provide further incentives for investing in Spain. In this regard, it is also worth noting the particular importance that the “Next Generation EU” Program will have in the coming years as a special funding mechanism aimed at helping the Member States recover from the consequences of the COVID-19 pandemic, of which Spain will be one of the main recipients.

Against this backdrop and as part of Spain’s Recovery, Transformation and Resilience Plan finally approved by the EU Economic and Financial Affairs Council (ECOFIN), major public reforms and investments will be undertaken in Spain to accomplish the so-called green and digital transition, strengthen social and territorial cohesion, promote gender equality, and boost private investment with the aim of contributing to the transformation of the current production model into a more resilient and inclusive structure that is better prepared to tackle future crises.

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## / 1 Introduction

With the aim of promoting investment, employment, competitiveness and economic growth, the Spanish State and all other public authorities have been developing and consolidating an extensive and complete system of aid instruments and incentives especially targeted at boosting indefinite-term employment, regional investment and at research, development and technological innovation (R&D&I).

Furthermore, since Spain is an EU Member State, potential investors are able to access European aid programs, which provide further incentives for investing in Spain.

These investment aid measures can be classified as follows:

- State incentives for training and employment.
- State incentives for specific industrial sectors.
- Incentives for investments in certain regions.
- State incentives for innovative SMEs.
- Preferred financing from the Official Credit Institute (*Instituto de Crédito Oficial* or *ICO*).
- Incentives for internationalization.
- EU aid.

Most of the aid that can be obtained from the various agencies depends largely on the specific characteristics of each investment project (*i.e.* the better the prospects of the project, the more possibilities there are of obtaining financing and aid).

Furthermore, the **ICEX-Invest in Spain** website [ICEX-Invest In Spain](#) offers a search engine for public aid and subsidies granted in Spain. Using this tool, companies can gain easy access to updated information regarding the grants available for their investment projects. Also, this same tool now includes an automatic alert system for aid and subsidies tailor-made to each user.

In any case, this Chapter should be read bearing in mind the current health emergency caused by COVID-19. This emergency has given rise to the adoption of aid programs and additional incentives aimed precisely at mitigating the adverse effects caused in the various economic sectors of our country.

In this regard, and as will be explained in detail [in section 8 of this Chapter](#), it is particularly important to also mention, when referring to the large number of aid programs and lines described herein, the approval and implementation of the European Recovery Instrument Next Generation Program, together with the new reinforced Multiannual Financial Framework for the period 2021-2027, as part of the measures approved by the European Council to boost the convergence, resilience and transformation of the economy of the Member States by accelerating the twin green and digital transition.

Bearing the foregoing in mind, and notwithstanding the tax incentives analyzed in other chapters (essentially investment tax credits -- [for further information go to Chapter 3, section 2](#) --), the main State incentives for investors are described on the following pages.

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## / 2 State incentives for training and employment

These incentives, which form part of the Government's employment promotion policy, can signify important savings in labor costs and are divided into three types:

- Training incentives.
- Employment incentives.

### 2.1 TRAINING INCENTIVES

Law 30/2015, of September 9, 2015, regulating the Vocational Training for Employment System in the area of employment, regulates the training incentives system currently in force, with the following main goals: (i) to guarantee that workers, employees and unemployed workers, in particular the most vulnerable, can exercise their right to training; (ii) to contribute effectively to the competitiveness of Spanish companies; (iii) to increase collective negotiation aimed at bringing the offer of training initiatives into line with the demands of the productive system; and (iv) to offer efficiency and transparency in public resources management.

However, it should be borne in mind that in accordance with the Government's Annual Legislation Plan for 2022, the Ministry of Employment and Social Economy intends to reform regulations on vocational training for employment within

the scope of its powers, in particular to make management processes and the inclusion of new legal instruments more flexible, and also with a view to including digital aspects in the training. This will entail the approval of a new law to replace Law 30/2015 and, as a result, important changes in this area are likely to arise in the short term.

In this case, the vocational training for employment system currently in force is aimed at companies and workers anywhere in Spanish territory. It is an initiative based on coordination, collaboration and cooperation between the Central Government, the autonomous communities, leading business associations and trade union organizations, and other agents, and it aims to guarantee the unity of the market and ensure that a strategic approach is adopted in relation to training, while at the same time respecting, naturally, the existing distribution of powers in this respect.

Such system is to be financed by the vocational training for employment contributions paid by companies and workers in accordance with the provisions of the annual General State Budget Laws, by the contributions included in the budget of the State Public Employment Service, and by whatever own funds the Autonomous Communities may decide to allocate to it within the framework of their own budgets.

According to the definition provided in Law 30/2015, a training initiative refers to any of the forms of training for employment which are intended to provide an immediate response to the different individual needs and needs of the productive system, and such initiatives should be geared, specifically, towards promoting the acquisition, improvement and ongoing updating of vocational skills and qualifications, favoring training throughout the entire working life of the active population, conjugating the needs of people, of enterprises, of territories and of productive sectors.

Based on this premise, the training initiatives considered eligible for financing within the framework of the vocational training for employment system currently in force must as a general rule, conform to any of the following four types (which

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are regulated in detail in Royal Decree 694/2017 of July 3, 2017 containing the implementing regulations for Law 30/2015):

- **Programmed training offered by employers to their workers:** Training initiatives that seek to respond to the real, immediate and specific training needs of employers and their workers, able to be carried out directly by employers or entrusted to an external agency accredited and/or registered at the appropriate registry.
- **Training offered by the relevant authorities to employed workers:** Aimed at fulfilling needs not covered by the programmed training offered by employers to their workers. These training initiatives are targeted at employed workers and take the following into consideration: (i) a company's productivity and competitiveness requirements; (ii) the need to adapt to changes at the workplace, and (iii) workers' aspirations for professional promotion and personal development.
- **Training offered by the relevant authorities to unemployed workers:** Training initiatives for unemployed workers in line with individual training needs and with the needs of the production system, aimed at enabling workers to acquire the skills which are required by the job market, thus improving their employability.
- **Other vocational training initiatives (including, inter alia, individual leaves of absence for training and work-linked training):** Training initiatives aimed at favoring a worker's professional and personal development, while responding to the needs of the labor market.

With respect to **programmed training offered by employers to their workers** and **individual leaves of absence** from work, employers are eligible - for the financing of the costs generated - for a so-called "*training credit*", of which they may avail themselves through reductions to the corresponding employer social security contributions, applicable in line with the communication by the employer of the completion of the training initiatives provided.

The amount of this training credit will depend on the amount of the vocational training contributions paid in by each company in the previous year, and on the percentage stipulated annually in the General State Budgets Law\*, depending on the size of the company, with the guarantee of a minimum training credit linked to the number of employees a company's workforce, which can be higher than the vocational training contributions paid by the company into the social security system. Companies shall contribute with their own resources to the financing of their workers' training with a variable percentage of 5% (for companies with between 6 and 9 employees), 10% (10 to 49 employees), 20% (50 to 249 employees) or up to 40% (250 or more employees).

It should be noted that the amount of the credit, and therefore the reduction which companies can apply to their contributions, varies according to the type of training provided:

	FEATURES OF THE AID	AMOUNT (ADDITIONAL PROVISION 122 LGPE 2022) *
<b>Own training programs</b>	Reductions in employer social security contributions so that the worker can take part in programs aimed at improving his qualifications.	The result of applying the following percentages, according to number of workers, to the amount paid in the preceding year as employer contributions to vocational training: 100% (between 6 and 9), 75% (between 10 and 49), 60% (between 50 and 249) and 50% (more than 250).  For companies with between 1 and 5 workers and for newly formed companies or companies opening new workplaces with new workers, reductions of €420 are established for the first case and of €65 for the second, applied to the number of new workers.
<b>Individual leaves of absence for workers</b>	Reductions in employer social security contributions for companies granting individual leaves of absence for training to their workers.	Equal to the salary costs of the leaves of absence granted, for the amount that results from applying the criteria determined by regulations Ministerial Order (TAS/2307/2007)*, according to size of company. As an example, for 2020 the limits will be between the amount equal to the costs of 200 hours, for companies with between 1 and 9 workers, and the amount equal to the costs of 800 hours, for companies with between 250 and 499 workers, increased by another 200 hours for each 500 workers more on the workforce.  During 2021, total credits granted under this section may not exceed 5% of the Public State Employment Service budget for the financing of reductions in employer social security contributions for vocational training for employment.

\* According to information obtained from the authorities, until new limits are approved by Ministerial Order, those that are currently in force will continue to be applied, in this case those of Ministerial Order TAS/2307/2007.

Finally, it should also be taken into account that companies that train those affected by temporary layoff procedures will be entitled to an increase in credit to finance steps in the area of programmed training. The amount of that credit increase, which will vary according to the size of the company, is the figure set out in article 9.7 of Law 30/2015 (ranging from €425 to €320 per person), although it could be updated by regulations.

It should be noted that the Spanish State Public Employment Service, by means of its Decision of April 15, 2020, established, within its scope of management, extraordinary measures to confront the impact of COVID-19 on vocational training for jobs, which have been extended in 2022 by the subsequent Decision of December 9, 2021.

These measures include most notably those relating to the possibility of conducting training entirely through a "virtual classroom" and through a "bimodal" system (which enables the teacher to give the training in person to some of the students while others attend virtually) in training actions that are financed in the training initiative programmed by companies, with a

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charge to the loan available for fiscal year 2022, where they are conducted in the in-person mode or the in-person portion of the hybrid or tele-training mode (in addition, in the case of individual leaves of absence for training to enable attendance at the hybrid alternatives mentioned).

It should also be borne in mind that companies that receive social security contribution benefits applicable to temporary layoff procedures must provide training, in the terms established in additional provision forty-four of the revised General Social Security Law, approved by Legislative Royal Decree 8/2015, of October 30, 2015, and additional provision twenty-five of the revised Workers' Statute, approved by Legislative Royal Decree 2/2015, of October 23, 2015.

On the other hand, so that public commitments in this respect can be met and training initiatives aimed at both active and unemployed workers can be carried into effect, Law 30/2015 establishes a system of public subsidies, awarded through a competitive process, in which all training entities which meet the requirements in terms of accreditation and/or registration stipulated in the applicable legislation can take part. In the case of training programs entailing a hiring commitment, the process is open to companies and entities which undertake to formalize the corresponding contracts in the terms stipulated in the pertinent regulations.

The specific conditions to be met to be eligible for such subsidies are established by the Ministry of Employment and Social Economy in the corresponding Order.

Order TMS/368/2019, of March 28, 2019, linked to Royal Decree 694/2017 of July 3, 2017, which in turn implemented Law 30/2015 of September 9, 2015 regulating the Vocational Training for Employment System, currently applies to the training initiatives offered by the relevant authorities and their financing, and establishes the regulatory specifications for the grant of public subsidies to be used for said financing.

Pursuant to Order TMS/368/2019, the above-mentioned training initiatives for employed workers must be implemented through (i) industry-wide training programs; (ii) transversal

training programs; and (iii) professional qualification and recognition programs.

In addition, in the case of unemployed workers, the training initiatives are to be implemented through (i) training programs offered by the public employment services, aimed at meeting the training needs detected in personalized insertion itineraries and in job offers; (ii) specific training programs targeted at unemployed workers with special training needs or difficulties for their insertion or professional requalification; and (iii) training programs including commitments to hire.

The regulations of Order TMS/368/2019 exclude, *inter alia*, training programmed offered by companies to their own workers and individual training leave, which will be regulated and financed pursuant to Law 30/2015, and to Royal Decree 694/2017, mentioned above.

The maximum and minimum limits of the subsidies that can be granted to finance these training initiatives (of which public or private training entities, accredited and/or registered in the Training Entities Register, may be beneficiaries) for each specialization included in the Catalog of Training Specializations will be set by regulation and will include the possibility of adjusting the specific units established by the relevant authorities for their management area\*. Meanwhile, however, the following maximum general economic units, as set forth in Schedule I of the Order, may be considered:

MODE OF TEACHING	AMOUNT OF THE MAXIMUM ECONOMIC UNITS
In-person	€13
Teletraining	€7.5
Hybrid	The above units will be applied according to the hours of in-person training or teletraining that take place in the training initiative.

\* The public authorities may increase these amounts by up to 50%, depending on the singular nature of certain training initiatives which, given their specialization and technical characteristics, require greater financing.

Lastly, training initiatives not related to professionalism certificates, targeted at unemployed workers, may include the performance of unpaid work experience at companies, linked to the training initiatives and related to their training content, subject to the execution of an agreement between the company and the training entity. In this context, beneficiary companies can receive, as a direct concession, additional economic compensation per student per training hour, with a maximum amount of €6.00.

### 2.2. EMPLOYMENT INCENTIVES

The Spanish Central Government offers an extensive catalog of aid, consisting mainly of **reductions in social security contributions, aimed at promoting new stable or indefinite jobs** (especially for unemployed persons included in groups such as women in general, young people aged 16-30, the long-term unemployed, unemployed persons over the age of 45 and persons with disabilities).

Furthermore, **on an exceptional basis, certain reductions in social security contributions are instrumented for temporary contracts executed with workers with disabilities or with socially-excluded individuals**, (provided that in both cases they are unemployed and registered as job seekers at the Employment Office), as well as with **persons who provide evidence of having been a victim of gender-based violence**.

**Where the indefinite-term or temporary contract is part-time**, the incentive will be the result of applying to the incentives stipulated for each case, a percentage equal to the percentage of the working day stipulated in the contract, increased by 30% (the result of which may in no case exceed 100% of the total amount, except in connection with incentives for hiring persons with disabilities through special employment centers).

The catalog of aid for the formalization of contracts, the basic parameters of which were just described above, is very exten-

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sive, as it varies according to the types of existing contracts and the specific features of each of them. Most of these incentives are set forth in Law 43/2006, on improved growth and employment, as well as in Law 3/2012, on urgent measures to reform the job market, which, among other objectives, are aimed at rationalizing the system of incentives for hiring under indefinite-term contracts, with a view to correcting some of the inefficiencies detected, in practice, in recent years.

It is worth noting that the Council of Ministers recently approved Royal Decree 818/2021, of September 28, 2021, on integrated employment activation programs in the Spanish National Employment system. This Royal Decree establishes

the framework in which Active Employment Policies (“PAE”) will be developed throughout Spain, through the State Public Employment Service (“SEPE”) and the autonomous community governments, according to the scope of their powers, based on the reforms envisaged to encourage active employment policies in the Recovery, Transformation and Resilience Plan, within Component 23 “*New public policies for a dynamic, resilient and inclusive labor market*”, in Reform 5 “*The modernization of active employment policies*”.

However, as occurs with training initiatives, in accordance with the Government’s Annual Legislation Plan for 2022, the Ministry of Employment and Social Economy aims to

introduce reforms in legislation regulating incentives to hire workers in order to ensure their effectiveness and, as a result, the legislation regulating subsidies and discounts in social security contributions, in particular, the provisions of Law 43/2006, will be reviewed. Important changes in this area are therefore likely to arise in the short term.

More information on the aid and reductions envisaged for each type of contract may be found at the website of the [State Public Employment Service](#).

The following is a summary of the main reductions, currently applicable, for the hiring of workers:

### A. INCENTIVES FOR HIRING UNDER INDEFINITE-TERM CONTRACTS (PURSUANT TO THE PROVISIONS OF LAWS 18/2014, 43/2006 AND 3/2012 AND TO ROYAL DECREE 8/2019)

GROUPS	DESCRIPTION	ANNUAL AMOUNT (€)	DURATION
<b>Long-term unemployed</b>	Persons who have been unemployed and registered at the employment office for at least 12 months in the 18 months prior to being hired (article 8 of Royal Decree-Law 8/2019 of March 8, 2019 on urgent social protection measures and to combat job insecurity in relation to working hours) ***.	<b>Full-time</b>	3 years
		Men	Women
		1,300	1,500
		<b>Part-time</b>	
		Men	Women
		Proportional to the working hours agreed upon in the contract.	
<b>Special situations</b>	Socially-excluded workers (art. 2.5 Law 43/2006).	600	4 years
	Socially-excluded workers who have finalized an employment contract with an employee insertion company during the preceding 12 months, and have not worked for another employer thereafter and are hired by an employer that is not an insertion company or special employment center (art. 2.5 Law 43/2005).	Year 1: 1,650 Year 2: 600 Year 3: 600 Year 4: 600	
	Victims of domestic violence (art. 2.4 Law 43/2006)****.	1,500	4 years
	Victims of gender-based violence (art. 2.4 Law 43/2005)****.	1,500	4 years
	Victims of terrorism (art. 2.4 bis Law 43/2006)****.	1,500	4 years
	Victims of human trafficking (art. 2.4 ter of Law 43/2006)****.	1,500	2 years
Persons with limited intellectual capacity (art. 2.4 quarter Law 43/2006)**	1,500	4 years	

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GROUPS	DESCRIPTION	ANNUAL AMOUNT (€)			DURATION
		Men < 45 years	Women < 45 years	Men and women aged over 45	
<b>Persons with disabilities</b>	In general (art. 2.2.1 Law 43/2006).	4,500	5,350	5,700	Throughout the term of the contract.
	In case of severe disability (art. 2.2.2 Ley 43/2006).	5,100	5,950	6,300	
<b>Conversion to indefinite</b>	Conversion of temporary contracts for job creation executed with persons with disabilities, or of training contracts executed with disabled workers into indefinite-term contracts (art. 2.2.1 Law 43/2006).	4,500	5,350	5,700	Throughout the term of the contract.
		5,100	5,950	6,300	
	Conversions of work-experience, handover and replacement due to retirement contracts into indefinite-term contracts (art. 7 Law 3/2012) ****.	Men	Women		3 years
		500	700		
	Conversion of vocational training and apprenticeship contracts, regardless of the date of execution, into indefinite-term contracts (art. 3.2 Law 3/2012) *****.	1,500	1,800		
	Conversion of contracts executed with socially-excluded workers into indefinite-term contracts (art. 2.6 Law 43/2006).		600		4 years
	Conversion of contracts executed with Socially-excluded workers who have finalized an employment contract with an employee insertion company during the preceding 12 months, and have not worked for another employer thereafter and are hired by an employer that is not an insertion company or special employment center into indefinite-term contracts (art. 2.6 Law 43/2006).	Year 1: 1,650 Year 2: 600 Year 3: 600 Year 4: 600			
	Conversion of contracts executed with victims of domestic violence into indefinite-term contracts (art. 2.6 Law 43/2006).	1,500			
Conversion of contracts executed with victims of gender-based violence into indefinite-term contracts (art. 2.6 Law 43/2006).	1,500				
Conversion of contracts executed with victims of terrorism into indefinite-term contracts (art. 2.6 Law 43/2006).	1,500				

\* For this incentive to be applicable, the company must keep the worker hired in employment for at least three years as from the start of the employment relationship. Similarly, the level of employment at the company reached with the contract entered into must be maintained for at least two years as from the date of its formalization. If these obligations are not met, the amount of the incentive must be refunded.

The above requirements regarding the maintaining of employment levels are not considered breached in cases of termination of the employment contract on objective grounds or due to a disciplinary dismissal - where declared or acknowledged as being justified in either case - nor in cases of termination due to resignation, death, retirement or total, absolute permanent disability or comprehensive disability of the worker, or due to the expiry of the agreed term or the completion of the project or service forming the subject matter of the contract, or termination during the worker's trial period.

\*\* Victims of gender-based and domestic violence, of terrorism and of human trafficking, as well as persons with limited intellectual capacity, do not have to meet the condition of being unemployed.

\*\*\* Potential beneficiaries of these reductions are employers with fewer than 50 employees at the time of hiring, including independent professionals and worker-owned enterprises or cooperatives joined by employees as working or business partners, provided that the latter have chosen a social security scheme for employees. In the case of workers hired under work-experience contracts and made available to user companies, said companies will be entitled, on the same terms, to identical reductions where, without a break in continuity, they arrange an indefinite-term employment contract with those workers.

\*\*\*\* Starting on January 1, 2017, the social security contribution relief will consist of a reduction, where those hired are workers registered under the National Youth Guarantee System who meet the requirements imposed under article 105 of Law 18/2014, of October 15, 2014, approving urgent measures for growth, competitiveness and efficiency, said reduction being applied on the same terms as those of the reductions stipulated under article 3 of Law 3/2012 (article 3.5 Law 3/2012).

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### B. INCENTIVES FOR HIRING UNDER TEMPORARY CONTRACTS (PURSUANT TO THE PROVISIONS OF LAW 43/2006)

GROUPS	DESCRIPTION	ANNUAL AMOUNT(€)				DURATION
		Men < 45 years	Men > 45 years	Women < 45 years	Women > 45 years	
<b>Persons with disabilities hired under temporary contracts to foster employment (art. 2.2.4 Law 43/2006)</b>	In general.	3,500	4,100	4,100	4,700	Throughout the term of the contract.
	Severe disability.	4,100	4,700	4,700	5,300	
<b>Socially-excluded persons (art. 2.5 Law 43/2006)</b>			500			
<b>Victims of gender-based or domestic violence (art. 2.4 Law 43/2006)</b>			600			
<b>Victims of terrorism (art. 2.4 bis Law 43/2006)</b>			600			
<b>Victims of human trafficking (art. 2.4 ter Law 43/2006)</b>			600			

### C. INCENTIVES FOR HIRING UNDER INDEFINITE-TERM CONTRACTS, UNDER TEMPORARY CONTRACTS OR FOR CONVERSION INTO INDEFINITE-TERM CONTRACTS THROUGH SPECIAL EMPLOYMENT CENTERS (PURSUANT TO THE PROVISIONS OF LAW 43/2006)

GROUPS	ANNUAL AMOUNT	DURATION
<b>Unemployed persons with disabilities hired under temporary or indefinite-term contracts through special employment centers (art. 2.3 Law 43/2006)</b>	100% of the employer's social security contributions, including contributions for occupational accidents and sickness and joint collection contributions.	Throughout the term of the contract.

### D. INCENTIVES FOR INDEFINITE-TERM EMPLOYMENT AND FOR INDEPENDENT PROFESSIONALS UNDER LAW 1/2015

Article 8 of Law 25/2015, of July 28, 2015, on the second chance mechanism, the reduction of financial burden and other social security measures, regulates the incentive for indefinite-term employment and for independent professionals. This incentive consists of the possibility of reducing the employer social security contribution, in any of its forms,

in cases of indefinite-term hiring. In order to be eligible for this incentive, companies must (i) be up to date on the performance of their tax and social security obligations; (ii) they must not have terminated employment contracts in the preceding 6 months; and (iii) they must execute indefinite-term contracts that entail an increase in the level of employment at the company; and (iv) maintain over a period 36 months not only the level of indefinite-term employment but also the level of total employment attained with such contracts.

The amount of the incentive can be up to €500, over 24 months, in cases of full-time hiring, and it is reduced proportionally, in the case of part-time contracts, based on the percentage of reduction in working time stipulated in each new contract.

Once the aforementioned period has elapsed, companies with fewer than 10 employees at the time they execute the contract qualifying for this contribution relief will be entitled to maintain the incentive throughout the following 12 months, although during this period, they may only apply the reduction up to the first €250 of the contribution base, (or, where appropriate, the relevant amount reduced proportionally, in cases of part-time hiring).

Nonetheless, this incentive will not be applicable to certain employment relationships, such as special employment relationships (senior management, etc.) or to those that affect the spouse, ascendants, descendants and other persons related by consanguinity or affinity, or to the hiring of employees who had been hired by other group companies.

Lastly, the application of this incentive will be incompatible with the application of any other social security contribution reduction in respect of the same contract, other than the relief envisaged for hiring beneficiaries of the National Youth Guarantee System.

### E. SUPPORT FOR THE EMPLOYMENT OF SEASONAL WORKERS WITH INDEFINITE-TERM CONTRACTS IN THE TOURIST INDUSTRY, AS WELL AS IN THE TRADE AND HOSPITALITY INDUSTRIES RELATED TO SUCH INDUSTRY

Additional provision 122 of the 2021 State Budget Law establishes, with effect from January 1, 2021 and for an indefinite term, for companies engaging in activities forming part of the tourist industry, as well as the trade and hospitality industries related such sector, which generate productive activity in February, March and November of each year and commence or maintain the occupation of seasonal workers with indefinite-term contracts during those months, the possibility of

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applying a reduction in these months of 50% of the employer's social security contribution for common contingencies, as well as for items collected with the unemployment, wage guarantee fund (FOGASA) and vocational training contributions made for such workers.

### F. MEASURES TO SUPPORT COMMON EMPLOYMENT ACTIVATION PROGRAMS

The above-mentioned Royal Decree 818/2021 on employment activation programs, establishes a series of aid measures, in the form of subsidies, for companies that hire workers in certain circumstances.

Although the subsidies still need to be specified once the conditions of participation have been approved (and their compatibility with other statutory incentives has been verified), the characteristics of the most important subsidies are summarized below:

- Program on integration of people with disabilities into the ordinary labor market (articles 47 to 50 of Royal Decree 818/2021)
  - Incentives to hire people with disabilities under indefinite-term, full-time contracts: Companies in the ordinary employment market that hire, under indefinite-term, full-time contracts, job seekers with disabilities who are registered in the public employment service, can receive a subsidy for each initial indefinite-term contract or transformation of a temporary contract into an indefinite-term, full-time contract, of €5,500 in general (€6,000 if the person initially hired under the indefinite-term contract is a woman, over 45 years of age, or is in any other vulnerable group). This amount may be increased by €2,000 when the workers with disabilities are from employment enclaves, in which case the collaborating company must hire the worker uninterruptedly, and at least three months after the worker has joined the enclave.

- Subsidies for adaptation to the job position: aimed at financing measures for universal physical, sensory, cognitive and communication accessibility and adequate measures according to the needs of each specific situation, unless such measures involve an excessive burden for the business, and the implementation of personal protection measures to prevent occupational risks among the persons with disabilities who have been hired and the elimination of architectural barriers or obstacles that prevent or make it difficult for them to carry out their functions. The benchmark figure of said subsidy is €1,800 per employee hired for the minimum period established by each public employment service, without it exceeding the actual cost that is evidenced for the adaptation, provision or elimination.
- Subsidies for supported employment services: Subsidies for individualized guidance and companion actions at work, provided by specialized employment trainers, aimed at facilitating the adaptation in social and employment terms of workers with disabilities, will be aimed at financing the salary and social security costs of the job support entities hiring said trainers. The benchmark figure of those subsidies will be determined according to the provisions of article 8.2 of Royal Decree 870/2007, of July 2, 2007, regulating job support programs as a measure to boost employment of persons with disabilities in the ordinary employment market.
- Program for the occupational integration of people at risk or in a situation of social exclusion (articles 58 to 64 of Royal Decree 818/2021)

Specialized employment centers, with their own legal personality, registered as such on the relevant register, in which over 70% of the total workforce have disabilities, may receive subsidies (i) for fixed investment that creates employment, (ii) for the salary costs, (iii) for the adaptation of job positions and (iv) for personal and social adjustment services.

- Program for the occupational integration of people at risk or in a situation of social exclusion (articles 58 to 64 of Royal Decree 818/2021)

Companies that hire participants in integration itineraries in the context of this program (namely, people at risk or in a situation of social exclusion, who are unemployed or in job accessibility companies, who have special difficulties in integrating in the ordinary employment market, as well as people with disabilities who have greater difficulties in accessing the employment market, women who are victims of gender violence, victims of human trafficking and transgender individuals who provide evidence as such in accordance with legislation in force) may take advantage of incentives for hiring participants in integration itineraries in the ordinary employment market.

Those incentives consist of a subsidy of €7,000 for each participant in an integration itinerary that is hired in the ordinary employment market (€7,500 if the person is a woman, over 45 years of age, or is in any other vulnerable group).

The public authorities may agree to an increase of up to 10% in the subsidies established in this program, where the beneficiaries are women who are victims of gender violence.

- Subsidies for returning talent (article 67 of Royal Decree 818/2021)

In the case of persons who return to Spain to sign an employment contract after living abroad, a subsidy in the amount of €5,500 may be received for each full-time, indefinite-term contract signed (€6,000 if the person is a woman, over 45 years of age in the case of persons with disabilities or in any other vulnerable group determined by the public employment service), or €7,000 or €7,500, respectively, if the competent public employment service includes this scenario among those that require greater attention.

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The public authorities may agree to an increase of up to 10% in the subsidies established on this program, where the beneficiaries are women who are victims of gender violence.

- Program for equality between men and women (articles 68 to 72 of Royal Decree 818/2021)
- Incentive to the hiring of women under indefinite-term contracts: companies that hire women, indefinitely, in sectors in which there is a higher concentration of men, and women who have been unemployed for over 24 months due to maternity, adoption, pre-adoptive guardianship, fostering and guardianship on legally-established terms, may receive a subsidy of €6,000. This amount may be increased to up to €7,500 where the persons hired indefinitely are women who are considered particularly vulnerable by the relevant public authority.
- Aid for a work/life balance and shared work and family responsibilities: Companies may receive the following subsidies where:
  - They adopt, as part of their equality plans, measures to achieve a work-life balance and shared responsibility agreed with workers' statutory representatives or, if there are no such representatives, with the personnel affected by same. A subsidy of €2,250 per year may be granted for each worker that benefits from those measures, up to a maximum of €9,000 per company per year. Aid for each worker is proportional to the period in which the work/life balance is enjoyed if that period is less than one year.
  - The substitute workers who have taken leave of absence or reduced working hours to care for minors, for up to 3 years in the first case and 12 years in the second case, or family members who are dependent or have a serious illness. Individuals hired for such substitution must be registered as unemployed

at the public employment services. For each month effectively worked full-time by the person hired for the substitution, part of the salary costs resulting from the contract up to an amount equivalent to the monthly national minimum wage may be subsidized during the period determined by the competent public employment service. This amount may be reduced proportionally if the individual works part-time or for the periods in which the substitution is less than one month.

The public authorities may agree to an increase of up to 10% in the subsidies established on this program, where the beneficiaries are women who are victims of gender violence.

- Welfare/employment integration program for women who are victims of gender violence (articles 73 and 74 of Royal Decree 818/2021)
 

Incentives may be granted for hiring, under indefinite-term contracts, women who are victims of gender violence registered as unemployed in public employment services, consisting of subsidies of €7,500 for each person hired.
- Program to avoid discrimination by reason of age (articles 75 and 76 of Royal Decree 818/2021)
 

Incentives may be granted for the hiring under indefinite-term contracts of people aged over 45 who are registered as job seekers in the public employment services, consisting of subsidies of €5,500 for each person hired (€6,000 for women, people with disabilities or in any other vulnerable group), and of €7,000 where that person has been unemployed for a long period (€7,500 for women, people with disabilities or in any other vulnerable group).

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- 1 Introduction —
- 2 State incentives for training and employment —
- 3 State incentives for specific industries —**
- 4 Incentives for investments in certain regions —
- 5 Aid for innovative SMEs —
- 6 Preferred financing of the Official Credit Institute Instituto de Crédito Oficial or (ICO) —
- 7 Internationalization incentives —
- 8 EU aid and incentives —

## / 3 State incentives for specific industries

The Central Government provides financial aid and tax benefits for activities pursued in certain industries which are considered to be priority industries (e.g., mining, technological development, research and development, etc.) in view of their potential for growth and their impact on the nation's overall economy. Additionally, Autonomous Community governments provide similar incentives for most of these industries.

Financial aid includes nonrefundable and partially refundable subsidies, as well as interest relief on loans obtained by beneficiaries, or any combination thereof.

The main official programs supporting the industrial development projects to support innovation currently in force are:

- Research, development and technological innovation.
- Tourist industry.
- Audiovisual industry.
- Other specific industries.

### 3.1. RESEARCH, DEVELOPMENT AND TECHNOLOGICAL INNOVATION

#### A) 2021-2027 SPANISH STRATEGY FOR SCIENCE AND TECHNOLOGY AND FOR INNOVATION

Encouraging innovation, technological improvement and research and development projects continues to be one of the priority objectives of the Spanish public authorities, since this is a determining factor of the increase in a country's competitiveness and economic and social evolution.

**Science, Technology and Innovation Law 14/2011, of June 1, 2011** (the "LCTI") establishes the legal framework for the fostering of scientific and technical research, experimental development and innovation in Spain, founded on a scheme based on the approval of the related Spanish Strategies for Science, Technology and Innovation, which serve as multi-year reference documents for reaching the statutory objectives and as a basis for the preparation of a State Plan through which to instrument in detail the initiatives required to perform such objectives.

In line with the foregoing, at the end of 2020, the Council of Ministers approved, "*the Spanish Strategy for Science and Technology and for Innovation*" for the 2021-2027 period, whose essential purpose is to promote based on a solid system for generating new knowledge, a productive system that is based on current strengths and is more dynamic and innovative. Overcoming the global crisis caused by COVID-19 and reestablishing a strong national R&D&I system are also urgent actions to which the Strategy attempts to respond. To this end, the following **7 general objectives** are established:

- i. Position science, technology and innovation as key areas for achieving the Sustainable Development Goals of the **2030 Agenda**.
- ii. **Contribute to the EU's political priorities** by aligning with its R&D&I programs, providing support to the agents responsible for the Science, Technology and Innovation System ("SECTI") in order to achieve this objective.

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- iii. **Prioritize and respond to challenges confronting the national strategic industries** through R&D&I, in order to foster the social, economic, industrial and environmental development of the country.
- iv. **Generate knowledge and scientific leadership**, optimizing the position of research staff and institutions, as well as the quality of their infrastructure and equipment. The aim is also to foster quality and scientific excellence, favoring a systemic effect that reaches and benefits a large number of groups, as well as the application of scientific knowledge to the development of new technologies that can be used by companies and to boost society's communication capacity and to influence the public and private sector.
- v. **Boost Spain's ability to attract, recover and retain talent**, thereby facilitating professional progress and the mobility of research staff in the public and private sector and their ability to influence decision-making.
- vi. Foster the **transfer of knowledge** and to forge **bidirectional links between** science and companies, through the mutual understanding of needs and objectives, particularly in the case of SMEs.
- vii. Promote **research and innovation in the Spanish business world**, thereby increasing its commitment to R&D&I and broadening the scope of innovative companies to make the business world more competitive.

With the launch of this Strategy, the aim is to duplicate the sum of public and private investments, until reaching the European average in 2027 (from the 1.24% of GDP in investment in R&D&I recorded in 2018, to 2.12% in 2027).

In order to attain the foregoing objectives, and having regard to the characteristics of the environment in which the agents of the SECTI are to pursue their activities, **14 priority areas of cross-cutting action** were identified:

1. **Budgetary:** Aimed at increasing the budget devoted to R&D&I during the 2021-2027 period, and at providing incentives for private investment, until reaching, as noted above, the EU average, particularly through direct aid (subsidies), and fostering the establishment of suitable lines to facilitate the use of European funds.
2. **Instrumental:** With the goal of developing the instruments and bodies tied to the LCTI in order to increase the provision of advice by experts, simplify and make more flexible the instruments available and adapt them to agents' needs in order to improve the use of resources and strengthen the agents that finance the SECTI.
3. **Coordination:** To supplement in a synchronized manner national and industry policies with other policies at the European, regional and local level.
4. **Governance:** In order to address the development of a governance system and of indicators that facilitate the analysis, monitoring and evaluation of the results as compared to the objectives set.
5. **Capacities:** Aimed at fostering and supporting the generation of scientific and innovative capacities within the public and private SECTI agents in order to boost the aggregation and development of high-level R&D&I centers and promote excellence in scientific and technological infrastructure.
6. **Itinerary:** In order to establish a scientific and technological itinerary for entrance into the R&D&I system that facilitates the promotion and job security of workers and that considers the needs of the country's research and innovation staff, also at private R&D&I centers and companies.
7. **Talent:** In order to craft mechanisms to attract and develop research, technology and innovation talent in companies, industries and R&D&I centers and facilitate the mobility of this staff in the public and private sector.
8. **Promotion:** In order to enhance business innovation and its dissemination across all industries, particularly in SMEs.
9. **Multidisciplinary approach:** In order to foster inter- and multi-disciplinary approaches, boosting and providing support to the cross-cutting use of essential enabling technologies, disruptive digital technologies or deep technologies that enable business and society to advance.
10. **Opportunities:** Aimed at reinforcing national strategic industries, transforming social challenges into business development opportunities and fostering entrepreneurship and investment in private sector R&D&I, and attracting venture capital for innovative enterprises.
11. **Transfer:** To promote the existence of effective channels for the transfer and exchange of knowledge and cooperation between the public and private sector.
12. **Innovation:** In order to enhance value chains around focused innovation systems.
13. **Internationalization:** In order to step up of the internationalization of the SECTI agents through (i) the promotion of participation in international programs such as Horizon Europe and its joint programming initiatives; (ii) international collaboration with the support of scientific diplomacy; (iii) international cooperation for sustainable development; and (iv) the promotion of and participation in international scientific and technological installations and infrastructure.
14. **Social:** In order to boost Spanish society's commitment to R&D&I, encouraging scientific awareness and culture, as well as open and inclusive science and innovation.

In order to implement the objectives and key areas indicated, the Strategy will be carried out in **2 multiyear phases (2021-2023 and 2024-2027)**, each of which will have its corresponding Scientific and Technical Research State Plan, as a tool to implement, materialize and finance the actions and priorities established for the period in question:

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- The first phase (2021-2023) would focus on guaranteeing the strengths of the system, giving priority to supporting R&D&I in the healthcare area, and to investing in the green and digital transition, with strategic actions in priority industries and large growth-driving projects.
- The second phase (2024-2027) would be aimed at shoring up the value of R&D&I as a tool to develop a knowledge-based economy.

For more information please see the website of the [Ministry of Science and Innovation](#).

### B) 2021-2023 STATE PLAN FOR SCIENTIFIC AND TECHNICAL RESEARCH AND INNOVATION

The 2021-2023 State Plan for Scientific and Technical Research and Innovation ("PEICTI"), included in the 2021-2027 Spanish Strategy for Science and Technology and Innovation, focuses its objectives on strengthening R&D&I in the most strategic sectors following the pandemic: health, green and digital transition, as well as fostering the development and consolidation of the scientific career path.

This State Plan has the nature of a strategic plan for the purposes of Subsidies Law 38/2003, of November 17, 2003, and, accordingly, the funds allocated for its implementation must be granted in accordance with the principles of publicity, transparency, competition, objectivity, effectiveness and non-discrimination. Specifically, actions under the PEICTI include subsidies and loans that may be granted through calls for applications under a competitive process or other direct allocation mechanisms, as well as through the aid granted by the Center for Industrial Technological Development ("CDTI").

The PEICTI is targeted at all agents of the Spanish Science, Technology and Innovation System, both public and private, who are responsible for (i) conducting R&D&I activities; (ii) disseminating and promoting R&D&I results; and (iii) providing R&D&I services for the progress of the Spanish economy and society as a whole. In this respect, the orders estab-

lishing the specifications and calls for applications for the PEICTI will determine the beneficiaries to whom the aid is addressed, the participation conditions and eligibility criteria that must be fulfilled, as well as the criteria for evaluating and selecting proposals and the conditions for implementing the aid and monitoring it for scientific-technical and economic purposes.

The funding for actions under the PEICTI comes from Spain's General State Budgets and may also originate from other financing sources including such European funds as the European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+), the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (EMFF), other EU financing and co-financing funds, such as Horizon Europe, the European Investment Bank and the funds originating from the Recovery and Resilience Facility, particularly, those included in the Spanish Recovery, Transformation and Resilience Plan (RTRP). Resources originating from other authorities at the local, autonomous community or international level, as well as the equity of the beneficiary institutions and co-financing from other entities, may also be used.

In brief, the key aims of the PEICTI are to: (i) improve the management model, establishing target-based financing; (ii) foster generational replacement, seeking to attract talent by developing a scientific career path; (iii) boost research along strategic lines (top-down); (iv) place a special focus on health and cutting-edge medicine; (v) establish a joint design between the central government and the autonomous community governments of the so-called Supplementary Plans; (vi) give priority to implementing the European Research Area; and (vii) step up incentives for transfers, strengthening the link between research and innovation, to help convert scientific advances into viable and profitable business models.

As regards the structure of the Plan, it comprises 4 State Programs along with 13 State Subprograms, which pursue 13 specific objectives:

STATE PROGRAMS (SP)	STATE SUBPROGRAMS / SPECIFIC OBJECTIVES (SOS)
<b>SO to address the priorities of Spain's environment</b>	Internationalization (SO1) Territorial Synergies (SO2) Strategic Actions (SO3)
<b>SO to foster scientific-technical research and its transfer</b>	Knowledge Creation (SO4) Knowledge Transfer (SO5) Institutional Strengthening (SO6) Scientific-Technical Infrastructure and Equipment (SO7)
<b>SO to develop, attract and retain talent</b>	Training (SO8) Hiring (SO9) Mobility (SO10)
<b>SO to catalyze business innovation and leadership</b>	Business R&D&I (SO11) Innovative Growth (SO12) Public-Private Partnership (SO13)

It should be noted that the State Subprogram of Strategic Actions (SO3) implements the following six strategic actions under the corresponding thematic clusters previously prioritized in the 2021-2027 Spanish Strategy for Science and Technology and Innovation: (i) health, (ii) culture, creativity and inclusive society, (iii) security for society, (iv) digital, industry, space and defense, (v) climate, energy and mobility, and (vi) food, bioeconomy, natural resources and environment.

The Plan also provides for the approval of Annual Action Programs as budget planning instruments that set out the actions to be taken during the year, the planned annual financing and the indicators for monitoring such actions.

The following table included in the Plan contains a breakdown of the ordinary budget envisaged in the 2021-2023 period for the various state programs and subprograms, including the special supplement of funds expected to be obtained from the RTRP:

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	BUDGET (€ MILLION)		
	Annual subsidies 2021, 2022, 2023	Annual loans 2021, 2022, 2023	RTRP 2021-2023
<b>SUM OF THE STATE PROGRAMS</b>	<b>2,858</b> *85	<b>1,437</b>	<b>6,062</b>
<b>STATE PROGRAM TO ADDRESS THE PRIORITIES OF SPAIN'S ENVIRONMENT</b>	<b>787</b> *85	<b>425</b>	<b>3,133</b>
State Subprogram for Internationalization	76	-	187
State Subprogram for Territorial Synergies	-	-	200
State Subprogram of Strategic Actions (SA1 – SA6)	711 *85	425	2,746
SA1: Health***	2	-	140
SA2: Culture, creativity and inclusive society	17	-	-
SA3: Security for society	-	-	-
SA4: Digital, industry, space and defense	647 *85	425	2,554
SA5: Climate, energy and mobility	-	-	50
SA6: Food, bioeconomy, natural resources and environment	45	-	2
<b>STATE PROGRAM TO FOSTER SCIENTIFIC-TECHNICAL RESEARCH AND ITS TRANSFER</b>	<b>978</b>	<b>341</b>	<b>1,605</b>
State Subprogram for Knowledge Creation	523	35	420
State Subprogram for Knowledge Transfer	51	300	450
State subprogram for Institutional Strengthening	65	6	477
State Subprogram for Scientific-Technical Infrastructure and Equipment Técnico	339	-	258
<b>STATE PROGRAM TO DEVELOP, ATTRACT AND RETAIN TALENT</b>	<b>436</b>	<b>-</b>	<b>378</b>

	BUDGET (€ MILLION)		
State Subprogram for Training	234	-	13
State Subprogram for Hiring	168	-	365
State Subprogram for Mobility	34	-	-
<b>STATE PROGRAM TO CATALYZE BUSINESS INNOVATION AND LEADERSHIP</b>	<b>657</b>	<b>671</b>	<b>946</b>
State Subprogram for Business R&D&I	138	415	180
State Subprogram for Innovative Growth	54	256	60
State Subprogram for Public-Private Partnership	465	-	706

\* Cash delivery with consideration.

\*\* RTRP. 2021-2023 Spanish Economy Recovery, Transformation and Resilience Plan.

\*\*\* Actions known as "SA in Health" in the previous PEICTIs, in the 2021-2023 PEICTI have been included in the STATE PROGRAM TO FOSTER SCIENTIFIC-TECHNICAL RESEARCH AND ITS TRANSFER and the STATE PROGRAM TO DEVELOP, ATTRACT AND RETAIN TALENT.

### C) CENTER FOR INDUSTRIAL TECHNOLOGICAL DEVELOPMENT (CDTI)

The *CDTI* (state-owned business entity under the auspices of the Ministry of Science and Innovation) promotes the technological innovation and development of enterprises, its main objective being to contribute to the improvement of the technological level of enterprises through the pursuit of the following activities:

- Technical/economic evaluation and financing of R&D&I projects developed by enterprises.
- Management and promotion of Spanish participation in international technological cooperation programs.
- Promotion of the international transfer of business technology and support services for technological innovation.
- Support for the creation and consolidation of technologically based enterprises.

Notwithstanding the more detailed presentation found on the [CDTI website](#), the lines available to the *CDTI* for the financing of R&D&I projects include most notably the following:

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### 1) R&D Projects:

This line has the purpose of financing applied business projects linked to the creation and significant improvement of a productive process, product or services, including both industrial research activities and experimental development.

**6 categories of projects** are potentially for financing under this line:

- Individual R&D projects, presented by a single enterprise.
- National Cooperation R&D Projects submitted by business groupings (EIGs or consortiums), made up of a minimum of 2 and a maximum of 6 autonomous companies.
- *CIEN* (National Business Research Consortiums) projects of significant scope and aimed at conducting planned research in future strategic areas with a potential international impact (the main financing elements of which are detailed below in a separate section).
- International Technological Cooperation Projects presented by Spanish enterprises participating in international technological cooperation programs managed by the *CDTI* (multilateral, bilateral programs, international programs with certification and unilateral monitoring by this body).
- European Technological Cooperation R&D Projects, related to the boosting of the technological capacity of Spanish companies in order to participate in: (i) Important Projects of Common European Interest; (ii) Joint Technology Initiatives projects, and (iii) Projects deriving from *ERANETS* (European networks of public agencies dedicated to the financing of R&D&I at national/regional level).
- International Technological Training R&D Projects, related to the boosting of the technological capacity of Spanish companies in order to participate in bidding processes for projects and programs managed by international organizations in which Spain is represented by the *CDTI* and

with which the *CDTI* has cooperation agreements (major international scientific-technological facilities and international space programs).

- R&D projects for the development of dual technologies, related to the boosting of the technological capacity of Spanish companies in order to bid in Defense and Security matters.

The minimum eligible **budget** for these projects of the participating companies is €175,000 and €5,000,000 in the specific case of *CIEN* Projects, the **duration** required being between 12 and 36 months for all individual projects and between 12 and 48 months for national cooperation projects, and 36 and 48 months for *CIEN* Projects.

The **instruments for financing** the projects included in this line consist of partially repayable loans (only a part of the aid granted must be repaid to the *CDTI*), for up to a maximum of 85% of the total budget of the approved project (the company must finance at least 15% of the budget for the project with its own funds). The non-repayable tranche is between 20% and 33% of the loan.

In these projects, the **costs eligible for subsidies** will be, among others, personnel costs, instrument and material costs, contractual research costs, technical knowledge and patents or certain costs deriving from consulting and equivalent services aimed exclusively at research activities, in addition to supplementary general expenses incurred directly on the research project and audit costs.

Regarding the **advances** of the aid that can be obtained, the *CDTI* offers a 35% advance of the aid granted, up to a limit of €250,000, without requiring additional guarantees. The loan is repayable within a period of 10 to 15 years, including a grace period of 2 to 3 years.

### 2) Direct Innovation Line

This financing instrument, directly managed by the *CDTI* and co-financed with Structural Funds through the Research,

Development and Innovation Operating Program, under the “de minimis” rules, is aimed at enterprises which carry out technological innovation projects whose objectives cover one or more of the following cases: (i) active incorporation and adaptation of emerging technologies entailing an innovation at the enterprise, as well as processes aimed at improving technologies and adapting them to new markets; (ii) the application of the industrial design and engineering of the product and process for the improvement thereof; or (iii) application of a new or significantly improved production or supply method (including relevant changes in the area of techniques, equipment and/or software).

Projects cannot **last** less than 6 months or more than 18 months and the minimum eligible budget will be €175,000. The amount of the financing will be 75% of the eligible budget (*CDTI* funds), which can be increased to 85% if co-financed by ERDF funds.

**Investments eligible for financing** will include the acquisition of new fixed assets which imply a major technological advance for the company carrying out the project, personnel costs, material and consumables, external collaborations, overhead costs and audit costs.

It will be possible to opt for an **advance** of 35% of the aid granted (up to €400,000) without additional guarantees, or of up to 75% by providing guarantees in respect of the difference which the *CDTI* regards as being adequate.

### 3) Science and Innovation Missions

This program seeks to provide support to pre-competitive collaborative research, led by enterprises, in order to: (i) conduct significant research that proposes solutions to Spanish society's cross-cutting and strategic challenges; (ii) enhance the knowledge and technology base on which Spanish enterprises rely to compete; and (iii) foster public-private partnerships.

The aim of the program is to contribute to the development of the following missions: (i) sustainable, smart and efficient agricul-

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ture for the 21st century; (ii) secure, efficient and clean energy for the 21st century, (iii) to boost Spanish industry in the industrial revolution of the 21st century; (iv) circular economy with polymer composite waste recycling and recovery technologies; (v) information security, privacy and cybersecurity; (vi) sustainable and smart intermodal transportation; (vii) to boost tourism by harnessing technological possibilities; (viii) advancement of and technological training for the biopharmaceutical industry in the field of advanced therapies, vaccines and targeted therapies; and (ix) to foster high-performance computing.

Aid granted under this program takes the form of **subsidies** targeted at large enterprises formed by between 3 and 8 shareholders, of which at least 1 must be an SME, and headed by a Large Enterprise (“Large Enterprises Mission”), and at SMEs formed by between 3 and 6 shareholders, all of which are SMEs, and headed by a Medium-Sized Enterprise (“SMEs Mission”).

In the 2021 call for aid applications, which was already included among the actions of the National Recovery, Transformation and Resilience Plan approved at that time, the minimum eligible budgets were between €5,000,000 and €10,000,000 (Large Enterprises Mission) and between €1,500,000 and €3,000,000 (SMEs Mission), with a minimum budget per participant of €170,000, without any participant being responsible for more than 60% of the project’s budget. Industrial research must represent at least 60% of the eligible budget of the Large Enterprises Mission and 35% in the case of the SMEs Mission. Also, at least 20% (Large Enterprises Mission) and 15% (SMEs Mission) of the budget must be outsourced to knowledge-generating centers.

The amount of the subsidies in the 2021 call for aid applications could attain the following **maximum limits** of the eligible budget, depending on the size of the applicant enterprise: 65% Large Enterprise, 75% Medium-sized Enterprise and 80% Small Enterprise.

**Eligible expenses** included staff costs, costs of instrumentation and materials able to be inventoried, costs of contrac-

tual research, technical know-how and patents acquired at market prices overhead expenses and additional operating expenses incurred directly on the project or audit costs.

### 4) INNODEMANDA Program

INNODEMANDA Program is a financing instrument to support the technological offer in innovative public procurement processes convened by the authorities. This program finances an enterprise’s innovation costs required in a particular public procurement process, in such a way that the contracting body has more competitive offers, fostering a greater use of innovative products and services by the Administration.

The operation of this program requires a synchronization between the scheduled time of a particular procurement and the time of application, analysis and resolution of the R&D by the *CDTI* required for participation in the tender.

To this end, it is necessary the formalization of an **Adhesion Protocol** between the *CDTI* and the contracting bodies, specifying, among others, the most significant milestones established in the invitation to tender, as well as the implementation deadlines, conditions and legislation applicable to the financing offered by the *CDTI* for R&D activities.

### 5) NEOTEC Initiative

The aid under the NEOTEC Initiative finances the start-up of new business projects that require the use of technologies or knowledge developed from a research activity, in which the business strategy is based on the technological development.

Technology and innovation must be competitive factors that help to set the enterprise apart and serve as a basis for its long-term business strategy and plan, with the maintenance of its own R&D lines.

The aid can be used for business projects in any technological and/or industrial area. The 2021 call for aid applications,

which was financed with funds from the Recovery and Resilience Facility, did not admit business projects whose business model was primarily based on services to third parties, without their own technological development.

The aid will take the form of subsidies, and beneficiaries must be innovative small companies.

The **maximum budget** of the 2021 call for aid applications has been €36,460,000, based on subsidies of up to 70% of the budget of the action and subject to a maximum subsidy of €250,000 per beneficiary, and the **minimum budget** eligible for financing has been €175,000 per project. In addition, **eligible expenses** have included, among others, investments in equipment, expenses relating to staff, materials, external collaborations/advisory services, etc.

### 6) CIEN Strategic Projects

The Strategic Program of *Consortios de Investigación Empresarial Nacional (CIEN)* (National Business Research Consortiums) finances, as noted above, major industrial research and experimental development projects, carried out by business groupings on the basis of effective cooperation and targeted at the performance of planned research in tomorrow’s strategic areas with potential international projection. Each consortium must be made up of a minimum of 3 and a maximum of 8 companies, at least 2 of which must be autonomous companies and at least 1 must have SME status.

It also pursues the promotion of public-private cooperation in the area of R&D and, accordingly, requires the appropriate outsourcing of activities (representing at least 15% of the total budget) to research bodies (of which at least one must be public).

Industrial research activities must exceed 50% of the total budget.

Since 2019, applications for *CIEN* projects have been able to be submitted on an ongoing basis, for an entire year.

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The aid takes the form of partially repayable loans (with a fixed interest rate of 1-year Euribor) for up to 85% of the approved budget (the company must finance 15% of the project budget with equity), with a maturity period of between 7 and 10 years and a grace period of between 2 and 3 years. The loan includes a non-repayable tranche equal to 33% of the aid, calculated based on a maximum of 75% of the coverage of the loan.

The **minimum budget** which may be applied for is €5,000,000, the maximum being €20,000,000. The **minimum eligible budget** must be €4,500,000 per project and €175,000 per company, and no company can exceed more than 70% of the eligible budget. The expected duration of the project must be between 36 and 48 months. Lastly, beneficiaries may obtain advances equal to 35% of the aid, subject to a limit of €250,000, without having to provide any additional guarantees.

### 7) INNVIERTE Program

This program seeks to promote business innovation through support to venture capital investments in Spanish technologically based or innovative enterprises.

In 2019, as part of this program, the *CDTI* started up a **co-investment initiative** open to investors regulated by the *CNMV*, such as venture capital companies and investment companies, also including the possibility of supporting professional investors, such as corporate investors.

This initiative, in which *INNVIERTE* accompanies professional private investors in periods of investment, delegating the management of investees to them, is instrumented in **2 phases**: (i) official approval of professional private investors specializing in technology, through the execution of a co-investment agreement between them and *INNVIERTE*; and (ii) joint investment in technologically based companies that are in line with *INNVIERTE*'s investment strategy, presented by the approved co-investors pursuant to the co-investment agreement.

In 2021, the objective of this initiative was also extended to **private equity vehicles specialized in the transfer of technology** with sufficient critical mass to be able to promote the projects in which they invest in the different business development stages that occur during their growth. This initiative seeks to encourage investment vehicles to target very early stages of business development, taking into account, in turn, that they must have sufficient funds to be able to accompany investees as they reach the milestones established in their business plans until an exit opportunity arises that allows the investment vehicle to obtain a return on the investment undertaken. As a final result of the selection process, *INNVIERTE* will acquire a commitment to investment in the private vehicles proposed by each of the managers selected.

### 8) Direct Expansion Line (LIC A)

This program is aimed at boosting innovation in certain Spanish regions, improving the capacities of companies that propose investment plans that help them to grow. Specifically, the program designs aid for initial investments and for initial investments in favor of a new economic activity, with a view to driving the growth of innovative companies.

Beneficiaries must have their tax domicile in Spain and must undertake an investment project in one of the regions assisted by the program.

The **minimum and maximum eligible budgets** within this line of aid, with a call for applications that is ongoing throughout the year, must be between €175,000 and €30,000,000 and have a duration of 6 to 18 months. The following can be financed through the program: projects belonging to all of the productive activities that qualify for aid, except for those excluded by the current legislation (steel, coal, naval construction, synthetic fibers, fisheries, agriculture, etc. industries). In addition, investments must be maintained in the beneficiary area for at least 5 years in the case of large companies and 3 in the case of SMEs.

The project financing instruments envisaged in this line are **partially repayable loans**, subject to the maximum amount of 75% of the total budget of the approved project (the company must finance at least 25% of the project budget with equity or external financing free of any type of public aid). The repayable tranche of the loan will be 5% (in the case of funds from the *CDTI*) or 10% (in the case of funds from *ERDF*), calculated based on a maximum of 75% of the approved budget. A fixed interest rate equal to 1-year Euribor + 0.5% will apply to these loans and they will be repaid within a 9-year term, with a 1-year grace period from the conclusion of the project.

In these projects, the acquisition of new fixed assets entailing an innovation and improvement in capacities at the company that carries out the project, the costs of investing in tangible assets (property, plant and equipment) and intangible assets (patents, licenses, technical knowledge or other intellectual property rights) will be considered **eligible expenses**, among others. In the case of large companies, the costs of intangible assets can only be financed up to the limit of 50% of the total of the project's eligible investment costs for the initial investment.

### 9) EIB Financing

The European Investment Bank (*EIB*) granted Spain a loan to serve as support for investment projects carried out by SMEs and mid-and small-cap companies with less than 3,000 workers.

The *EIB* financing is to be used for **loans** granted by the *CDTI* to R&D projects with a minimum term of 2 years. Projects of small size and investments with a projected maximum cost of €25,000,000 can be financed, although the *EIB*'s contribution cannot exceed €12,500,000.

Potentially **eligible** are loans requested by companies established in an EU Member State and which are (i) independent SMEs with less than 250 workers prior to the investment; or (ii) independent mid-cap companies with less than 3,000 workers prior to the investment.

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Nearly all economic industries are eligible, save for certain exceptions relating, for example, to weaponry, arms and ammunition production; games of chance, tobacco-related industries, activities whose sole purpose is real estate speculation, etc.

### 10) “Cervera” Technology Transfer R&D Projects

This financing line is aimed at business research and development projects of an applied nature for the creation or significant improvement of a production process, product or service, which can be shown to have a technological aspect which makes them different from the technologies existing in the market.

The essential characteristic of projects of this type is that they must necessarily be developed by a limited group of technological areas (*Cervera* priority technologies) and state-level Technological Centers must be contracted to perform certain activities in the project.

The *Cervera* priority technologies pertain to 10 main areas: (i) advanced materials; (ii) eco-innovation; (iii) energy transition; (iv) intelligent manufacturing; (v) health technologies; (vi) safety and health in the food chain; (vii) deep learning and artificial intelligence; (viii) advanced mobile networks; (ix) intelligent transport, and (x) the protection of data.

State-level Technological Centers must be given a relevant role in the projects, which cannot represent less than 10% of the total budget approved for the project.

This line of aid consists of partially repayable loans, with financial coverage of up to 85% of the approved budget and a repayment period of 10 or 15 years, including a grace period of between 2 and 3 years. The non-repayable tranche accounts for 33% of the aid and advances equal to 35% of the aid may be obtained, up to maximum of €250,000, without additional guarantees being required.

The minimum project budget is €175,000 and, for individual projects, the duration is between 1 and 3 years.

The items eligible for funding in the case of these projects include staff costs, costs of instrumentation and materials, contractual research costs, technical know-how and patents, certain consulting costs and equivalent services used exclusively for the purposes of the research activity, plus supplementary general costs generated directly by the research project, and audit costs.

### 11) Technological Program for Sustainable Automotive Industry (“PTAS”)

This program seeks to provide support to strategic collaborative R&D projects, led by enterprises, in technologies applicable in the automotive sector, with the aim of: (i) developing components and platforms for electric, plug-in hybrid and hydrogen-powered vehicles, (ii) fostering autonomous driving and connected mobility, and (iii) promoting the adaptation of production environments with secure and robust systems for human-machine interaction in a smart manufacturing environment, aimed at manufacturing components and systems for electric, plug-in hybrid and hydrogen-powered vehicles.

The aid granted under this program consists of **subsidies** targeted at clusters of enterprises made up of between 3 and 8 partners, of which at least 1 must be an SME and led by 1 large or medium-sized enterprise.

In the 2021 call for applications, the **duration** of projects was set at 3 years, starting in 2021, and the **minimum budgets** eligible for funding have been between €5,000,000 and 10,000,000, with a minimum eligible budget per enterprise of €175,000. The amount of the subsidies can be up to the following **maximum limits** of the eligible budget, according to the size of the enterprise: 65% Large Enterprise, 75% Medium-Sized Enterprise and 80% Small Enterprise.

**Expenses eligible for subsidies** include personnel costs, materials and instruments capable of being inventoried, contractual research costs, technical know-how and patents acquired at market prices, overhead expenses and additional operating expenses arising directly from the project or audit costs.

### 12) Internationalization of R&D&I

At international level, the *CDTI* offers support to Spanish enterprises and promotes technological cooperation abroad through various programs aimed at financing cooperation projects and initiatives, including most notably:

- EUROSTARS Program

The aim of this EU Program is to aid the development of transnational market-based projects by SMEs engaging in intensive R&D activities which represent a break with the technical state of the art and a commercial challenge in such a way as to enable these enterprises to take a qualitative leap in their position on the market.

The mechanisms envisaged for materializing the aid designed under this program are fundamentally the following: (i) creating a sustainable European mechanism to support these organizations; (ii) promoting the creation of economic activities based on R&D findings and introducing products, processes and services on the market more rapidly; (iii) promoting technological and business development and the internationalization of such enterprises; and (iv) securing the public funding of those participating in the projects.

The Ministry of Science and Innovation, through the *CDTI*, is in charge of managing this program.

- ERA-NET

The ERA – NET scheme consists of a set of European networks of public bodies that provide financing for R&D&I at national level, with the objective of coordinating the research and innovation programs of the European states and regions, and of preparing and carrying out joint calls for aid applications aimed at boosting cross-border research, technological development and innovation projects.

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ERA-NET calls for aid applications comprise an international phase and a national phase, each of which has its own eligibility requirements and application procedures, it being essential to comply with all of them in order to obtain the financing (only projects approved in the international phase of the calls can become candidates eligible to receive *CDTI* financing).

- PRIMA

This research and innovation initiative in the Mediterranean area (Partnership on Research and Innovation in the *Mediterranean Area*), approved by the European Parliament, seeks to foster a more sustainable regional management of water, agricultural and agro-food chain systems, in line with the Sustainable Development Goals of the 2030 UN agenda.

The consortium eligible in each case must be formed by 3 entities from three different PRIMA countries, of which at least 1 must be established in one of the following European States: Croatia, Cyprus, France, Germany, Greece, Italy, Luxembourg, Malta, Portugal, Slovenia and Spain, and at least one other in Algeria, Jordan, Egypt, Lebanon, Morocco, or in Israel, Tunisia or Turkey.

This initiative is broken down into 3 sections: Section 1 (funded by the PRIMA Foundation) and Sections 2 and 3 (funded by the national financing bodies of the participating countries). Section 1 has a total estimated budget of €33,000,000, while that of Section 2 is €35,540,000 and that of Section 3, in 2020, was €31,000,000.

The Annual Working Plan for 2022, with information on calls for aid applications, is posted on the initiative's website <http://prima-med.org/>.

### 13) COVID-19 aid

In the context of the economic and social impact of the health situation brought about by COVID-19 and of the measures

adopted in Royal Decree-Law 8/2020, of March 17, 2020, on urgent and extraordinary measures in this connection, the *CDTI* implemented several significant response actions, such as granting subsidies to projects specifically aimed at addressing the health emergency, exempting SMEs and mid-caps from having to provide guarantees for fully or partially repayable aid, and making the repayment of such aid more flexible. As of today, the exceptional measures giving SMEs more flexibility when repaying the principal of such partially repayable aid remain in effect.

The *CDTI* also provides personalized advice to companies and entrepreneurs on the **financing instruments** that are best suited to their R&D&I-related needs and projects. To access this service, interested companies need to fill out an electronic form and attach to it the documentation on the project being submitted to the *CDTI* for its assessment (more information at <http://www.cdti.es>).

### 3.2. TOURIST INDUSTRY

#### A) SUSTAINABLE TOURISM STRATEGY FOR SPAIN 2030

Against the backdrop of the European Union and the corresponding economic and social convergence, and in a competitive environment characterized by the globalization of supply and demand and business internationalization, the Spanish tourist industry is seeking to continue to strengthen its leadership position based on quality.

Following the approval at the time of the **Spanish Tourism Plan Horizon 2020**, which defined the strategy for preparing and adapting the Spanish tourist industry and attaining a balanced increase in the social and economic benefits of tourism, the future **Sustainable Tourism Strategy for Spain 2030** is currently in the process of being drawn up, its main objective being to redefine the tourist development model so as to redirect the foundation of Spanish tourism toward a model of sustained and sustainable growth, enabling Spain to maintain its global leadership position.

In particular, this new tourism model is based on enhancing competitive capacity and profitability, protecting the natural and cultural values of the different tourist destinations and on the equitable distribution of the benefits and burdens of the tourism activity.

To this end, according to the information available to date, the Sustainable Tourism Strategy for Spain 2030 is instrumented around **5 strategic areas**:

1. **Collaborative governance**, with the aim of setting up participation areas for all public and private actors on the tourism stage, also increasing Spanish influence on international organizations, with the following lines of action:
  - Bolstering existing governance tools, and authorizing new mechanisms that enable management among the different levels of the public authorities, the private sector and social agents.
  - Developing territorial policy, through agreements between the central government and the autonomous community governments, as well as forums for meetings between the different public authorities.
  - Increasing Spain's international influence through tourism, within the European Union, enabling it to lead the agenda, debates and legislative output, as well as in international bodies.
2. **Sustainable growth**, aiming to boost a balanced development of the industry throughout Spain, to foster the industry's sustainability, to diversify demand and to reduce the negative externalities of tourism, through the following actions:
  - Driving the balanced development of tourism in the territory, taking advantage of the country's diversity and strengthening inland tourism, paying special attention to areas at risk of depopulation.

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- Promoting sustainability as a brand value of Spanish tourism, guiding tourism activity toward the circular economy, environmental protection and clean energy use.
  - Sustaining demand by combining initiatives that enable demand to be diversified in new markets or segments in traditional markets, and developing new tourism products and digitalizing the sector. Reducing the negative externalities of tourism activity through formulas that balance society's common interest and the interests of companies and destinations.
3. **Competitive transformation** of the industry, emphasizing public-private forms of partnership, especially to foster digital transformation and the use of technological capacities, through such lines of action as:
- Strengthening the public-private ecosystem supplying – within the scope of operations of each public or private agent – knowledge, programs and resources in this regard.
  - Deploying a digital strategy for the tourism industry, specially targeted at SMEs and destinations, with a view to adapting to the requirements of connected tourism and increasing the efficiency of local public management.
  - Developing the public standards for the digital transformation, establishing a common framework acceptable to public and private players.
  - Fostering the adaptation of existing regulations to the new tourism environment, through the joint work of international, national, autonomous community or local bodies and institutions.
4. Acting on the **tourist area, enterprises and persons**, protecting heritage and making progress on the construction of infrastructures and on the digitalization of all territories, while enhancing the quality and competitiveness of enterprises in the tourist industry (most of which are SMEs) and of jobs in tourism, based on actions consisting of:
- Equipping the territory with new capabilities, infrastructure and management resources, thereby enabling a solid and diverse value proposition to be offered throughout the territory.
  - Boosting the quality of Spanish tourism, focusing efforts on improving competitive capacity, productivity, profitability, innovation, inclusivity and sustainability.
  - Promoting higher quality tourism jobs that make it possible, through a suitable certification or qualification, to offer an environment of trust to traders and workers.
5. Working on the **tourist product, marketing and intelligence**, with a view to fostering quality tourism, the diversification of demand and the opening of new markets, with the following lines of action:
- Enhancing tourism promotion strategies differentiated according to type of source market, enabling Spain to maintain its position in its target markets, while increasing penetration into emerging long-distance markets.
  - Developing a unique, dynamic and competitive value proposition, focused on serving new niches of demand by promoting products and destinations that generate added value and differentiation.
  - Developing a tourism intelligence data-based model, enabling comprehensive management in decision-making through the incorporation of new data sources.
  - Reinforcing the digital marketing strategy that optimizes the impact of investment in advertising.

### B) TOURISM INDUSTRY PROMOTION PLAN: TOWARD A SAFE AND SUSTAINABLE TOURISM

In the current landscape, it is important to note the “**Tourism industry promotion plan: toward a safe and sustainable tourism**”, approved by the Spanish government in June 2020 as a specific measure to revitalize the industry following the COVID-19 crisis.

This plan has a total financial allocation of €4.26 billion distributed over the 2020-2024 time horizon and is basically structured around 5 major pillars, namely:

#### 1. Restoring trust in the destination: for a 360° safe destination

To this end, the plan establishes measures consisting of (i) guidelines on how to reduce infection in the tourism industry; (ii) adapting public transportation as a safe mode of transportation; (iii) establishing the “Safe Tourism” logo, to highlight establishments that comply with the guidelines; and (iv) “safe tourism corridor” programs associated with the lifting of border and travel restrictions depending on the different waves of the pandemic.

#### 2. Measures to revitalize the industry

Precisely, the uncertainty regarding the duration of the pandemic and the debt that many tourism companies have been forced to take on have spurred the adoption of new measures to revitalize the industry, including most notably, among others, employment measures, particularly temporary layoff procedures (“ERTEs”) due to force majeure events (which were extended in 2021) or certain training, skills development and mentoring programs, for workers in the tourism industry, in subjects like safety, hygiene and vocational retraining (“SCTE Safe Destination” Tourism Host Program, Tourism training program with FUNDAE, Specific plan for retraining and updating of occupational qualifications relating to hospitality and tourism, etc.).

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The plan also established various business liquidity and solvency measures aimed at helping companies meet their cash needs, such as:

- ICO guarantee lines.- Royal Decree-Law 8/2020, of March 17, 2020, approved a State Guarantee Line with an allocation of €10 billion aimed at facilitating continued employment and mitigating the economic effects from the health crisis. Against this backdrop, as will be described in greater detail when the privileged lines managed by this body are presented, the plan has established a preferential sub-tranche aimed at the tourism industry in the amount of €2.5 billion.
- Moratorium on the payment of mortgage principal on assets in the tourism industry.- The plan establishes a mechanism that allows for a moratorium of up to 12 months to be granted in financial transactions secured by a mortgage.
- Moratoriums on lease installments for buses used for occasional transport services and Post-COVID-19 commercial incentives to airlines.

### 3. Improving tourism destination competitiveness

The tourism industry needs to adapt to global trends, particularly to digitalization and sustainability, which are changing the traveler profile, how trips are planned and booked, as well as how they are enjoyed and shared. Against this backdrop, the following measures are introduced:

- State Financial Fund for Tourism Competiveness, for funding projects aimed at improving the competitiveness of tourism companies and accelerating their transformation to a more sustainable and digital model.
- Funding aimed at the implementation of projects for digitalization, innovation and internationalization in the tourism industry.

- Tourism Sustainability at Destination Plan Program, with a total budget set at €30 million (until 2022) and, intended for national, autonomous community and local levels of tourism management and aimed at pioneering and rural destinations or inland destinations.
- Strengthening the network of intelligent tourism destinations, based on technological infrastructure and which ensure sustainable development and with a total budget of €75,000,000 for the 2020-2023 period.
- “Fair, labor responsible hotels” program.

### 4. Improving the Comprehensive Knowledge Model

It is considered that the current production and information collection model in relation to the performance and functioning of the tourism industry in Spain should be strengthened and the benefits offered by the digital transformation harnessed. For this reason, a firm commitment is made to a *new tourism information and knowledge system* enhanced by through (i) the **analysis of international demand** by enhancing market information; (ii) the **strengthening of the Tourism Intelligence System for analyzing national supply and demand**; or (iii) the creation of a **tourism data viewer**.

### 5. Marketing and promotion

As key parameters for re-positioning Spain as a safe and sustainable destination, both nationally and internationally, there are plans to launch, among other initiatives, so-called TURESPAÑA 2020-2024 Marketing Plan with the aim of analyzing Spain’s situation and image as a tourism destination based on a sociological research study in the main European markets and distant source markets. To this end, it will be endowed with a budget of €33,300,000 for the 2020-2024 period.

All of these initiatives have also received an additional boost as a result of their inclusion in the reforms and in-

vestments described in Component no. 14 of the National Recovery, Transformation and Resilience Plan specifically devoted to the modernization and competitiveness of the tourism industry with an anticipated public investment of €3.4 billion over the 2021–2023 period.

### 3.3. AUDIOVISUAL INDUSTRY

One of the priority objectives of Cinema Law 55/2007 is to bolster the promotion and development of the production, distribution and showing of films and audiovisual works, as well as to establish terms favoring their creation and dissemination and to adopt measures for the preservation of film-making and audiovisual heritage.

Apart from the tax incentives applicable to the film-making industry, the following are some of the main incentives included in the Cinema Law and in Royal Decree 1084/2015, of December 4, 2015, which approves its regulatory implementation, as well as, among others, in Order CUL/2834/2009, of October 19, 2009, in Order CUD/769/2018 of July 17, 2018, and in Order CUD/582/2020, of June 26, 2020, in connection, for example, with the acknowledgement of film costs and producers’ investments, the establishment of the terms of reference for state aid in this area and the structure of the Administrative Register of Cinematographic and Audiovisual Enterprises.

In general, motion pictures or other audiovisual works, including those made under the regime for co-production with foreign companies, which intend to benefit from these incentives, must either have Spanish nationality or be in a position to obtain it by meeting the requirements for access to Spanish nationality pursuant to article 5 of Law 55/2007, of December 28, 2007. In this connection, works made by a Spanish production company or a production company from another EU Member State established in Spain, which had previously obtained the appropriate certificate from the competent body, are deemed to have Spanish nationality.

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## Investment aid and incentives in Spain



In the case of works made under the regime for co-production with foreign companies, incentives are available only to the Spanish co-producer or co-producer with registered office or permanent establishment in Spain, for the Spanish participation in the co-production.

In fact, one of the obligations imposed, in general, on all beneficiaries is to have their legal residence or establishment in Spain at the time of the actual receipt of the aid.

When the eligible activity is to be carried on jointly by various legal entities, in order to obtain the status of beneficiaries they must form a grouping of companies that will act through a designated representative entity with the capacity to act in the name and for the account of all members of the grouping, not only for the purpose of submitting the aid application and the supporting documentation, but also for the performance of the obligations resulting from the grant of the aid and its justification. The grouping can therefore not be dissolved until the statutes of limitations on recovery action and on the infringements envisaged in the General Subsidies Law have lapsed.

The structure of the aid system is as follows:

CREATION AND DEVELOPMENT		
LINE OF AID	ELIGIBLE FOR AID	MAXIMUM AMOUNT (€)
Scriptwriting of full-length motion picture projects.	Projects for the preparation of full-length motion picture scripts which comply with the terms of the call for aid applications and are evaluated on the basis of certain criteria (i.e. originality and quality, the film's viability, etc.).	€40,000 per project.
Development of full-length motion picture projects.	The expenses need to develop the projects (improve the script, search for locations, identification of cast, initial sales plans, etc.). Projects that have received aid at the script writing stage will be given preference.	It cannot exceed €150,000, provided that such amount does not exceed 50% of the budget for developing the project or of the producer's investment. The cost of the aid will be discounted from the cost of the motion picture when determining the producer's investment.
Cultural and non-regulated training projects.	Projects which are capable of enriching the Spanish audiovisual panorama from a cultural standpoint: (i) investigations or publications with particularly relevant content for the Spanish cinema and audiovisual industry or (ii) specific programs aimed at training the public.	The call will establish the maximum amount which may not exceed 60% of the project's budget. Receiving this aid is compatible with other public aid or subsidies and it will be paid in a single installment.

PRODUCTION			
LINE OF AID	ELIGIBLE FOR AID	MAXIMUM AMOUNT (€)	
Production of full-length motion picture projects.	General.	Projects that meet the general requirements to qualify for beneficiary status (residence or establishment, suitability, relations with creative, artistic and technical staff compliant with applicable rules, reservation quotas, etc.) and that meet the requirements and conditions established by the common rules for general and selective aid (proven cultural nature, certain financial support, universal accessibility measures, etc.).	The maximum amount of the aid will be established in the call, within the annual credit allocated to the aid, which can be up to €1,400,000, provided that this amount does not exceed 40% of the cost acknowledged to the full-length motion picture by the Institute of Film-making and Audiovisual Arts ( <i>Instituto de Cinematografía y de las Artes Audiovisuales</i> or <i>ICAA</i> ).
	Selective.	Projects (i) of special cinematographic, cultural or social value; (ii) for a documentary; (iii) imaged by new film makers, (iv) or of an experimental nature.  In addition to meeting the general requirements to qualify for beneficiary status and the requirements and conditions established by the common rules for general and selective aid mentioned above, the projects must evidence a minimum percentage of financing and points. In the specific case of experimental projects, certain requirements are added in connection with the maximum budget, demonstrable experience, and the percentage of the expense which impacts Spain.	A minimum of 35% will be reserved for projects directed exclusively by women and a minimum of 8% of the total budget will be reserved for animation projects, in both cases, provided that they attain the minimum points established in the call. The part of the credit not used, if any, will again be transferred to the general line.  The call for aid applications will stipulate the maximum amount of the aid which, within the annual credit used for them, can be up to €500,000, or €300,000 for coproduction with foreign companies in which the Spanish stake is a minority stake, provided that such amount does not exceed 40% of the project's cost recognized by the <i>ICAA</i> (with the possibility of extending it to 70% in the case of audiovisual works considered difficult).  Within the annual credit reserved for this line, a minimum of 35% will be allocated to projects directed exclusively by women and not less than 15% and not more than 25% will be allocated to projects for a documentary. Furthermore, a minimum of 8% must be reserved for animation products, and up to 10% may also be reserved for experimental projects and a minimum of 5% for coproduction with foreign companies in which the Spanish stake is a minority stake.  These reservations will be implemented provided that the projects attain the minimum points established by the call for aid applications. The portion of the credit that remains unused will be transferred to the general line.  In the case of experimental projects, the maximum amount of the aid per project can be equal to the percentage of the cost acknowledged by the <i>ICAA</i> related to the applicable maximum intensity.

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### PRODUCTION

Production of TV movie and documentary projects.	Projects belonging to independent producers of TV movie and documentary projects which are longer than 60 minutes and shorter than 200 minutes, and which are not to be shown in movie theaters, provided that, among other requirements, they are filmed on photochemical medium or high definition digital medium. For a project to be eligible for aid, there must be a contract or a statement of interest in the project from one or more radio or television broadcast service providers.	Calculated by applying the appropriate percentage, according to different tranches, to the amount of the budget (which cannot be less than €700,000), with maximum annual credit of €300,000, provided that such amount does not exceed the producer's investment or 50% of the budget.
Production of animated series projects.	Projects belonging to independent producers of animated series projects. For the project to be eligible for aid there must be a contract or a statement of interest in the project from radio or television broadcast service providers at the state, autonomous community or EU level.	It cannot exceed €500,000 for budgets exceeding €2,500,000, and €300,000 for budgets of lower amounts. In both cases, said amounts cannot exceed the independent producer's investment or 60% of the budget.
Production of short film projects.	Short film projects and short firms made by independent producers.	Its amount can be equal to the percentage of the cost acknowledged by the ICAA related to the applicable maximum aid intensity. Aid for the production of short firms based on project plans is compatible with that for completed short films, up to the maximum ceiling of €70,000 per beneficiary film.  Within the annual credit allocated to this type of aid, a minimum of 35% will be reserved for short films directed exclusively by women.

### OTHER AID

LINE OF AID	ELIGIBLE FOR THE AID	MAXIMUM AMOUNT (€)
Distribution of Spanish, Community or Latin American films.	Independent distribution of full-length films and series of short films, mainly in their original versions, where, in the case of foreign films, less than 2 years have elapsed since they opened in the country of origin (in the case of a series of short films, at least 70% of the films making up the series must meet this requirement), which, in general, were destined for distribution in movie theaters with a minimum territorial scope, their opening complying with the conditions established in the call. The films that are the subject of the application must include, as universal accessibility measures, special audio description and subtitling systems that meet the relevant UNE standards.	The aid may subsidize up to 50% of the cost of the making of copies, subtitling and dubbing, advertising and promotional expenses, anti-piracy measures, the technical means and resources invested in order to make the films universally accessible to persons with disabilities and the technical means and resources invested for their sustainability. For the purpose of this aid, the aforesaid costs cannot be subsidized where they have been acknowledged, in whole or in part, as an expense attributed to the producer.  Nonetheless, the maximum amount of the aid cannot exceed €200,000 per full-length beneficiary film or group of short films.  In any case, the amount received by a company within the same budgetary year cannot exceed 20% of the amount to be used in said year for this line of aid.
For the preservation of cinematographic heritage.	Obtainment of media for cinematographic and audiovisual works, in analog or digital format, suited for the preservation of cinematographic heritage in the long term. The producers and owners of such works must undertake not to export such original medium for a minimum period of 10 years, as well as, among other requirements, to deposit the elements preserving the work at the Spanish Film Library.	The total amount will have a ceiling of €6,000, and cannot exceed 50% of the cost of making the necessary preservation duplicates.

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### OTHER AID

For promotion.	For the participation of Spanish films in festivals.	Participation of films that have or are in a position to obtain Spanish nationality in festivals and award ceremonies of recognized prestige.	Each call will stipulate the eligible expenses to be incurred by the production company, between those inherent in the Spanish film's participation in the events for which it was selected or to which it was invited and the minimum percentage that must necessarily be used for advertising expenses, as well as, within what is available in the budget, the total amount to be used for such aid and the maximum amounts for each one of the festivals and, as the case may be, sections and for each award.  The aid cannot exceed the cost incurred by the producer on its participation in the festival or on competing for the award.
	For the organization of film festivals and competitions in Spain.	Organization and holding by individuals or legal entities acting as promoters of film festivals or competitions of recognized prestige in Spain, and which devote special attention to the programming and dissemination of Spanish, EU and Latin American cinema, animated films, documentaries and short films, provided that at least two consecutive editions of those festivals or competitions have been held in the three years preceding the date of publication of the call for aid applications.  Applicants must employ at least one person with a disability the degree of which is above or equal to 33%.	The aid may subsidize the preparation, organization, operation and promotion expenses of the festival or competition, as well as the technical means and resources invested to foster universal accessibility and the twin green and digital transition of the festival or competition. The amount of the aid will be determined in each call for aid applications and may not exceed €250,000. In any event, the aid cannot exceed 50% of the budget submitted for their organization and holding.
For the production of audiovisual works using new technologies.	Production of audiovisual works which use new technologies in the audiovisual and cinematographic field and are distributed using any electronic means of transmission which allows for the broadcast and receipt of both image and sound other than as transmitted for movie theaters, television or domestic videos.		The maximum amount of the aid cannot exceed €100,000, provided that such amount does not exceed 50% of the project's budget.

In any event, the ICAA is authorized to set up cooperation agreements with banks and other credit institutions with a view to facilitating and extending the financing of production, distribution and projection activities, technical industries and the video-making sector and for the development of infrastructures or the technological innovation of those sectors.

This financing alternative is materialized in various types of aid:

- Aid for reducing interest on loans granted for production aimed at facilitating cinematographic production activities for production companies which had not received aid for the production of full-length motion picture projects.
- Aid for reducing interest on loans granted for distribution and dissemination as film, video and via internet, or the technological renewal of these sectors.
- Aid for reducing interest on loans for the financing of film projection and post-production infrastructures used by enterprises, laboratories, studios and the production and post-production technical industry.

It is also important to note, in this context, a new aid facility for film financed under the National Plan for Recovery, Transformation and Resilience that has been implemented by the Decision of the Directorate-General of the Institute of Cinematography and the Audiovisual Arts (ICAA) calling for applications for aid for the year 2022 for laboratories and incubators for the creation and for the development of audiovisual projects to be implemented in 2022 and 2023.

The Decision issues a call for applications for aid, under a competitive process, to these laboratories and incubators, by which are meant programs, forums, pitching platforms and residences where professionals and enterprises that previously pass a selection process participate and training, networking and tutoring activities are pursued with the aim of improving the skill and competitiveness of professionals and enterprises in the creative and development processes entailed in audiovisual projects.

It should be noted that this aid has a budget allocation of €9,000,000, and the maximum amount that may be granted to each laboratory and incubator is €500,000 for the two years, 2022 and 2023.

In addition, it is worth mentioning that, with a view to supporting the production of feature and short films in the context of the negative economic impact caused by COVID-19, the above-mentioned Order CUD/582/2020, amended by Order CUD/464/2021, contains several specific measures aimed at relaxing certain rules for the processing and management of aid, such as the following:

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- Specific measures (additional provision two)
  - When it comes to evidencing the financing required by means of agreements formalized by the companies applying for aid, the minimum fundraising required of the distribution company can be reduced by half, if the year preceding that of the call is 2020, 2021 or 2022, or refers to 2019, at the choice of the applicant company.
  - The reduction in the percentage of expenses that must be allocated to copies, advertising and promotion for the premiere of feature films in movie theaters in Spain, where the premiere takes place in 2021 or 2022 (or already took place in 2020 but the recognition of the cost is requested in 2021), which will be 5% in the case of general aid and from 2% in the case of selective aid. This percentage will be reduced to the minimum limit of 3% in the case of general aid and 1% in the case of selective aid in proportion to the aid received by the project, in accordance with the formula that is established in the respective calls for applications. In addition, the obligation will be considered fulfilled where the above-mentioned expense is equal to or greater than €300,000.
  - The above-mentioned Order also relaxes and modifies the assessment of the applicants' solvency, the percentages of payment of the general aid to feature films based on project plans, the years of prior production of the applicants for selective aid or the periods for assessing the viability of short film production projects.
  - Eligible expenses that have been incurred by companies receiving general and selective aid for the production of feature films as a result of COVID-19 or of measures established to combat it that could not be applied to the project of the subsidy received, whether in whole or in part, are recognized as costs of the film.
- Extension of periods for fulfilling obligations (additional provision three)

- For the commercial premiere in feature film cinemas of films receiving general and selective aid for the production of feature films based on project plans, which began the premiere in 2020 or which do so in 2021 or 2022 (10-month extension of the maximum period for the purpose).
- For notifying the Institute of Cinematography and the Audiovisual Arts of the end of the filming and applying for the classification and nationality certificate of the film, where these periods expire in 2021 or 2022 for films receiving general and selective aid for the production of feature films based on project plans and aid for the production of short films based on project plans (5-month extension).

### • Streamlining measures (additional provision four)

It is established that aid for the production of feature films and short films included with the scope of application of the specifications of reference can be financed with funds from the European Recovery Instrument, by applying the proper streamlining measures.

Lastly, it may be noted that a preliminary draft of a new Film and Audiovisual Culture Law is currently passing through parliament and, for now, is in the submission of contributions phase.

## 3.4. OTHER SPECIFIC INDUSTRIES

### 3.4.1. MINING

#### 3.4.1.1. Aid for risk prevention and mining safety

The regulations governing aid to the mining sector in the area of risk prevention and mining safety are currently set out in Order TED/1079/2020, of November 11, 2020, establishing the specifications in the context of native and sustainable mining.

The aim of the subsidies regulated in this Order is to encourage the development of projects related to mining safety (from the standpoint of investment and training) carried out by interested non-profit enterprises and entities, for the purpose of helping to reduce mining accidents in Spain, thereby effectively fostering, by extension, both the ecological transition process and the process of combating the demographic challenge.

The call for aid applications for projects and actions under the aforesaid Order for the year 2022 was made in the Decision of November 10, 2021, of the Secretariat of State for Energy (amended by the Decision of February 25, 2022).

Accordingly, and without limitation, suffice it to say that this most recent call for aid applications deems projects carried out in Spain in the area of mining and targeted at the areas of (i) significant investments in mining safety, including projects aimed at improving health and safety in mining sties, benefit mines and tunnels or galleries in the excavation and shoring phase and (ii); training programs in mining safety, to be **eligible for financing**.

Potential **beneficiaries** of this aid include SMEs that hold the title to the mining public domain to which the project relates or the authorization from the mining authority for the execution project for tunnels or galleries in the excavation and shoring phase, provided that they are not affected by Council Decision of 10 December 2010 on State aid to facilitate the closure of uncompetitive mines (Decision No 2010/787/EU). Non-profit institutions can also be beneficiaries of this aid, in which case they will not have to hold the title to the mining public domain, it being sufficient for them to provide evidence that they have a lawful interest relating to the mining activity and that they meet the requirements laid down by the above-mentioned Order.

The aid granted under a competitive procedure and its **amount** will consist of a percentage of the approved eligible investment and varies according to the following scheme:

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- **Aid for significant investments in mining safety:** Only SMEs can qualify for this aid, and the intensity of the aid cannot exceed 20% of the eligible costs in the case of small enterprises and micro enterprises, and 10% in the case of medium-sized enterprises, subject to a minimum amount of €12,000 for the aid granted.
- **Mining safety training projects:** Only non-profit institutions can apply for this aid. The intensity of the aid may be up to 100% of the cost of the approved eligible investment, tied to hours of instruction evidenced and to the performance of complete courses presented in the project. In any event, the maximum amount granted to a project of this kind is €65,000 per application, whereas its minimum amount is set at €4,000. As limits on this line, it should be noted (i) that the maximum number of eligible hours is 8 hours per course, with a mandatory minimum of 3 hours; and (ii) the maximum permissible cost per worker and hour, and the total cost per worker set in each annual call for aid applications may not exceed €350 under any circumstances.

The above-mentioned call for aid applications for 2022 has set the total amount of the subsidy to be granted as a result of the submitted applications at €2,122,834.46.

### 3.4.1.2. ACTION FRAMEWORK FOR COAL MINING

The series of measures in support of this industry is set out in the Framework Agreement for a Fair Transition in Coal Mining and the Sustainable Development of Mining Areas for 2019-2027 (Framework Agreement), executed with the Ministry for the Green Transition and the Demographic Challenge.

This Framework Agreement, which has been in force since December 31, 2018, bears in mind the current situation in the industry following the end of the aid granted to cover losses in the mines pursuant to EU requirements and in line with the current energy transition process.

Thus, the main objectives of this Framework Agreement are as follows:

- To reactivate economic growth and encourage alternative development in mining areas in order to achieve their structural transformation, economic recovery and social welfare.
- To increase the flexibility of the conditions laid down for businesses that wish to continue to extract coal as from 2019 and that have to return the aid received in accordance with the above-mentioned Decision 2010/787/EU on State aid aimed at facilitating the closure of uncompetitive coal mines.
- To maintain lines of aid to encourage the creation of business projects aimed at generating employment and providing support for the creation of related infrastructures that enable workers that have become unemployed due to the closure of the mine to regain employment.
- To design specific measures to train workers in the coal mining industry and maintain aid that helps to cover the exceptional costs linked to closure set forth in EU legislation.

The Framework Agreement instruments the following principal lines:

1. Aid for exceptional costs incurred by coal businesses:

This line of aid, envisaged for the period 2019-2025, is directed at mining companies included in the Spanish Plan for the Closure of Uncompetitive Coal Mines in accordance with the aforesaid Decision 2010/787/EU.

It includes two types of aid:

- a. Social aid for workers in coal production units.

This aid has already been specifically implemented by Royal Decree-Law 25/2018, of December 21, 2018 on urgent measures for a fair transition of the coal mining industry and the sustainable development of coal mining

areas (amended by Royal Decree-Law 27/2021, of November 23, 2021, which extended to 2025 the social assistance for labor costs of workers affected by the closure of coal mines and employed in environmental restoration efforts) and, where not expressly regulated in this law, by Royal Decree 676/2014, of August 1, 2014 establishing rules on aid due to employment costs aimed at covering exceptional costs related to plans for the closure of production units in coal mining businesses.

In particular, Royal Decree 676/2014 sets forth the direct grant of aid to companies that are pursuing or have pursued an activity related to coal production, to enable them to cover certain costs incurred on termination of their workers' employment contracts as a result of the closure of coal production units used for the generation of electricity included under the national Closure Plan.

The purpose of this aid is to alleviate the social and regional consequences of the closure of mines and is projected to cover labor costs for older workers and compensated resignation.

In addition, the Framework Agreement provides for other social aid aimed at workers affected who do not meet the requirements to access the above-mentioned aid.

- b. Aid of an exceptional nature aimed at covering the costs of closure of the production units and offsetting the environmental impact.

The Framework Agreement implements this aid in order to cover the work or measures included in the restoration plans that have been authorized in advance by the competent mining authority. Eligible for this aid are mining companies that have requested authorization for, as applicable, the project to definitively abandon the facilities or the project for the definitive closure of the facilities, and which meet all other statutory requirements to be able to qualify for this aid.

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The Framework Agreement also includes the possibility of adopting measures in support of workers in the industry that continue mining after December 31, 2018 in the production units of the companies included in the Spanish Closure Plan and which intend to close between 2019-2025.

Other measures are also established for workers in the industry such as (i) the performance of restoration activities; (ii) inclusion in job vacancy services; or (iii) the grant of social aid for workers in processes of reviewable total disability.

For example, as regards the above-mentioned restoration activities, it is worth noting Royal Decree 341/2021, of May 18, 2021, regulating the direct grant of aid for the environmental restoration of areas affected by the energy transition in the context of the Recovery, Transformation and Resilience Plan relating to projects for areas degraded as a result of coal mining, in the Autonomous Communities of Asturias, Aragón and Castilla y León. The Royal Decree seeks to mitigate the difficult labor and social situation in these areas as a result of the closures and added difficulties resulting from the pandemic caused by COVID-19, by promoting the maintenance of employment, in particular of surplus miners and employees of ancillary enterprises and the creation of economic activity in these territories, thereby contributing to the maintenance of the population and the creation of jobs in the short term.

### 2. Measures to revive mining areas:

Measures to revive coal-mining areas aimed at financing new business facilities and extending existing ones.

Individuals who pursue the activities on which the grant of this aid is based in the areas affected by the restructuring and modernization of the coal mining industry qualify for this aid.

Specifically, investment projects which generate employment in the area of economic activity that may receive aid,

are eligible for finance, provided the following conditions are met:

- i. Business projects with an investment in excess of €100,000, which undertake to create 3 or more job positions and which also meet the other requirements of the Framework Agreement.
- ii. Aid to small investment projects under the following conditions:
  - Minimum amount of €30,000 and a maximum of €500,000, with minimum undertakings to create employment.
  - Fall within any of the economic activities that are eligible for finance, provided that they are carried out in any of the municipalities included in the territory covered by the Closure Plan.
- iii. Aid for alternative development in mining areas:

Infrastructures located in the municipalities affected by closures of the coal mining industry are eligible for this aid.

At present, aid aimed at boosting the development of mining areas is regulated by Royal Decree 675/2014, of August 1, 2014, regulating the direct grant of aid aimed at fostering the alternative development of coal mining areas, through the development of infrastructure projects and restoration projects in areas that have been degraded as a result of mining activities.

Autonomous communities, municipal councils and other local entities included in the geographic area of the Royal Decree, in accordance with Annex I of same (i.e., the above-mentioned territories of Aragón, Castilla-La Mancha, Castilla y León, and Asturias), are eligible for this aid.

The timeframe envisaged for this aid is until 2023, although in accordance with the regulation of the Framework Agreement, the material execution of the actions that can be financed may be extended until 2027.

The Framework Agreement establishes, in addition to the aid to revive mining areas referred to above, that mining areas may qualify for other additional measures defined in the Plan for Urgent Action in Fair Transition, which must be agreed upon between the autonomous communities, local entities and social players.

With the aim of achieving the objectives proposed and implementing the measures established in the Framework Agreement, the following Orders were published on December 31, 2020:

1. Order TED/1293/2020, approving the specifications for the grant of aid aimed at small investment projects that create or maintain jobs, fostering the alternative development of mining areas, for the 2020-2023 period.

The aim of this aid is to encourage individuals and entities to locate small business investment projects in areas affected by the restructuring of coal mining and their surroundings, thereby generating alternative economic activities to coal mining.

Private individuals or legal entities, as well as the groupings of which they form part, tenancies in common and self-employed workers that are going to undertake small business investment projects that create jobs and are located in the municipalities recognized in the Order may be beneficiaries of this aid, which will be granted under a competitive procedure. The list of municipalities recognized by the Order in the above-mentioned Autonomous Communities of Castilla y León, Castilla-La Mancha, Asturias and Aragón has been updated by Order TED/340/2021, of April 8, 2021.

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The aid regulated is supplemental to and compatible with other state aid provided that the maximum amount of all the aid does not exceed the projected cost of the investment. In the event of an accumulation of aid received by a project, the overall amount that is considered “de minimis” may not exceed the maximum limit of €200,000 during any period of 3 fiscal years or the period that is stipulated in each call for aid applications.

Projects that apply for aid must meet the following requirements:

- They must have been able to start the investment 1 year before the date of the call for aid applications.
- They must have a minimum amount of €30,000 and a maximum of €500,000 for the eligible investment. Also, 50% of the investment must be executed and at least €30,000 must be invested.
- They must create at least 1 job or maintain workforces equal to or greater than 3 jobs.
- The execution period stipulated by the relevant call for aid applications must be complied with.

Their amount may not exceed the maximum limit of €200,000 if the aid is granted to a single enterprise. To determine the amount, the following criteria will be applied:

- Projects in municipalities hard hit by the coal mining company closure process (Group 1) may receive a subsidy of up to 100% of the maximum intensity limit or of the maximum amount applicable to the municipality in question.
- Projects in the other municipalities affected by the coal mining company closure process (Group 2), however, may only receive a subsidy of up to 50%.

Under this Order, the Office of the Head of the Institute for the Just Transition issued its Decision of April 16, 2021, calling for applications for the aid for that year for small business investment projects that generate or maintain employment, fostering the alternative development of areas affected by the restructuring of coal mining, subject to a cap of €7,000,000.

1. Order TED/1294/2020, approving the specifications for the grant of aid aimed at job creating business projects that promote the alternative development of mining areas for the 2020-2023 period (the list of municipalities included in these areas by Order TED/341/2021 having also been updated).

The aim and the scope of application of the aid regulated under this Order are the same as those established by Order TED/1293/2020 described in the preceding section, with the difference that the projects are not required to be small in scale.

Job creating business investment projects belonging to all of the economic activities that qualify to receive aid in accordance with the applicable Spanish and EU legislation, except for the steel, coal, transportation, etc. industries, are eligible for the aid.

In the case of aid requested by large companies, it can only be granted for initial investments that attract new activities to the above-mentioned areas or for the diversification of existing establishments into new products or new innovative processes.

The requirements applicable to the projects are similar to those laid down in Order TED 1293/2020, with the following differences:

- The work that implements the investment must not have started before the application for aid was submitted.

- The minimum planned investment eligible for a subsidy must be €100,000. Also, at least 50% of the planned investment be executed, guaranteeing at all times a minimum investment of €100,000.
- Projects covered by the aid must create 3 jobs.
- Prior to the 6 months following the date of notification of the final decision approving the aid requested for the project, 10% of the investment considered eligible must have been executed and paid.
- For financing purposes, (i) at least 25% of the total of the eligible costs must be financed by the beneficiary with equity or external financing, free from any type of public aid; and (ii) the enterprise or beneficiary must evidence a financial contribution, via equity or external financing, entailing at least 5% of the eligible investment.
- The execution period stipulated by the relevant call for aid applications must be complied with.

To determine the **amount** of the aid, the same criteria defined in Order TED 1293/2020, as mentioned above, will be applied.

Under Order TED/1294/2020, the Office of the Head of the Institute for the Just Transition issued its Decision of April 16, 2021, calling for applications for the aid for that year for business projects that foster the alternative development of coal mining areas, subject to a cap of €20,000,000.

### 3.4.2 INDUSTRIAL INVESTMENT

The process of adapting certain traditional industrial sectors to new forms of production, against a backdrop of processes to rationalize and modernize the business segment, has caused severe losses in the productive fabric and a significant elimination of jobs.

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In an effort to mitigate and, to the greatest extent possible, avoid such noxious effects on the industrial fabric as a whole and, in particular, on the areas most affected by the afore-said adaptation process, the Ministry of Industry, Trade and Tourism has been launching support initiatives with a view to promoting, regenerating or creating the industrial fabric.

Against this backdrop, the Program for Reindustrialization and Strengthening of Industrial Competitiveness (**the “REINDUS” Program**) had been the specific instrument of financial support for the development of strategic industrial sectors until its last call for applications for the year 2019. Currently, it is the **Productive Industrial Investment Support Fund (“FAIIP”)**, created by means of additional provision fifty-seven of Law 11/2020, of December 30, 2020, on the General State Budget for 2021 and managed by the state-owned company SEPI Desarrollo Empresarial S.A. SME or SEPIDES ([www.sepides.es](http://www.sepides.es)) which has been accomplishing similar aims, namely, that of fostering industrial development, strengthening competitiveness and maintaining Spain’s industrial capacities.

By means of its Decision of June 4, 2021, the Evaluation, Monitoring and Oversight Committee of the FAIIP approved the call for applications for 2021 with an endowment of €600 million applicable to the combined transactions corresponding to the 2021 calendar year, distributed among ordinary loans (up to €300 million, i.e., 50% of the total), participating loans (up to €180 million, 30% of the total) and equity interests (up to €120 million, the remaining 20%). However, the endowment established for 2021 will be maintained for the 20-year term of this mechanism for fostering industrial investment, the main features of which are described below.

The financial support that these projects could receive, in general, is instrumented through **long-term loans**, with the following **types of actions eligible for financing**:

- Creation of industrial establishments, in the sense of starting up a new production activity anywhere in Spain.
- Relocation, understood as changing the location of a prior production activity to anywhere else in Spain.

- Improvements and/or modifications of production lines, that is, investing in equipment that enables the modernization of existing production or process lines or which generates the implementation of new production or process lines, in industrial establishments that are already in production at the time of the application, expressly including the productive implementation of technologies from the “Connected Industry 4.0” and of actions in the lines aimed at environmental sustainability (reduction in greenhouse gas emissions, reduction in vulnerability to climate change impacts, pollution prevention or introduction of the circular economy in the production process).

Merely replacing the machinery and/or part of the components or auxiliary production elements, as well as repairs and maintenance and the acquisition of companies are excluded from these definitions.

Projects must be located in Spain and for new projects not yet started, the start of their implementation must take place within not more than 2 years from the date on which the financing from the FAIPP Fund is formalized.

The potential beneficiaries are any commercial company or cooperative with registered office and establishment in Spain, duly incorporated and not belonging to the public sector, which pursues or is going to pursue an activity consisting of industrial production and industrial services, regardless of its size, and which must submit an application for financing via the Fund’s website ([https://www.sepides.es/fondo\\_faiip](https://www.sepides.es/fondo_faiip)).

The **call** will be **open** until the **funds are used up** and, accordingly, applications will be processed in the order submitted.

The following are considered **eligible expenses**:

- Acquisition of fixed assets:
  - Tangible fixed assets: Expenses relating to (i) civil

engineering (investments in urban development and pipelines), (ii) buildings and installations (investments to acquire, build, expand or fit out industrial buildings, as well as their installations), and (iii) production devices and equipment (acquisition of assets directly linked to production or the production process).

- Intangible fixed assets: Expenses relating to (i) specific software linked to the production process, (ii) patents, licenses, trademarks and the like, and (iii) research and development directly linked to the production process and to production devices and equipment.
- Expenses relating to (i) own staff and external collaborative arrangements required to design and/or redesign processes, directly linked to the devices and equipment in question, (ii) credit rating linked to the application for financing, (iii) audits, during the term of the financing, in the case of companies not subject to statutory audit requirements, and (iv) audits associated with justifying the investment in the context of the financing.

The acquisition cost of the eligible investments and expenses may not exceed the market value under any circumstances. SEPIDES may ask the beneficiary to prove this point by providing the appropriate supporting documentation.

The minimum eligible budget for the investments is set at €200,000, the maximum amount of the funding to be granted will be 75% of the budget considered eligible, provided that the investments in production devices and equipment and specific software linked to the production are at least 50% of the budget.

In addition, the amount of the financing from the FAIIP will be limited to the enterprise’s outstanding risk with the Fund, adjusted by the amount covered by first-demand guarantees, being a maximum of 5 times the applicant’s duly evidenced equity. In the case of companies that form part of the same consolidated group, this rule extends to the group’s consolidated amounts.

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The adjusted outstanding risk with the Fund – whether from an enterprise or consolidated group – must be at the most 10% of the cumulative amount of the Fund's budget allocations.

The financing that can be granted out of this Fund cannot, under any circumstances, constitute State aid and, accordingly, will always be granted at a market or higher interest rate/revaluation. Specifically, the applicable interest rate, which will vary according to the rating of each applicant and to the type of loan granted, is set as follows:

- For ordinary loans: 12-month Euribor plus a fixed spread between 1.5% and 4.5%, subject to a minimum equal to the applicable spread.
- For participating loans: A fixed tranche equal to 12-month Euribor plus a fixed spread between 2.5% and 5.5%, subject to a minimum equal to the applicable spread, and a variable tranche linked to activity performance parameters up to 2%.
- For equity interests: Fixed revaluation of between 5% and 8%.

However, a reduction in the interest rate of up to a maximum of 0.5% may be applied, according to the degree of fulfillment of the environmental impact criteria, provided that the percentage score obtained in the evaluation of these criteria exceeds the threshold of 55%, based on the following table:

CRITERION	WEIGHTING (%)
Priority area	50
Job creation	10
Impact on digital transition	20
Impact on green transition	20

The **repayment** period of the loan will, as a general rule, be 10 years, including a possible grace period of 3 years for ordinary loans and for participating loans, and with quarterly repayment installments, without a grace period.

Lastly, the grant of the ordinary or participating loan will require the provision of a bond or **guarantee**, enforceable at first demand, for 10% of the disbursed amount of the financing.

If the financing takes the form of an equity interest in the entity, the term of the transaction will also be a maximum of 10 years although the maximum period until the first term of the sale and purchase of the equity interest is set at 5 years.

Lastly, it should be noted that SEPIDES will **disburse the financing in tranches, conditioning the release of the funds on the fulfillment of the milestones** of the project submitted. These milestones must be expressly established in the financing agreement, and the beneficiary must provide documentation supporting the performance of the activities envisaged in each milestone, which must be certified by SEPIDES before releasing the respective disbursement.

### 3.4.3 PHARMACEUTICAL INDUSTRY

In its Decision adopted on November 26, 2021, the Government Delegate Committee for Economic Affairs approved the initiative to Boost Competitiveness in the Pharmaceutical Industry or **PROFARMA** for the **2021-2022** period. It is a joint initiative by the Ministry of Industry, Tourism and Trade, the Ministry of Health, and the Ministry of Science and Innovation, and it is aimed at boosting the competitiveness of the pharmaceutical industry in Spain by modernizing the industry and fostering activities that contribute more added value (such as investments in new industrial plants and in new technologies for production as well as through fostering research, development and innovation).

This modernization entails (i) **for national enterprises**, seeking wider markets through internationalization, incorporating

the use of new technologies in their production processes and R&D&I, improving the focus of their lines of research and (ii) **for multinational enterprises**, increasing their commitment to developing the industrial structure, boosting their investment effort not only in infrastructures and production activities, but also in R&D&I in Spain, improving the trade balance.

In short, the aim is to enable pharmaceutical companies to **progress toward a production model that increases the ability to attract capital and generate stable and quality employment**, contributing positively to the increase in Spain's gross domestic product.

Against this backdrop, the PROFARMA Program seeks to **classify and rate enterprises in the pharmaceutical industry** which apply for inclusion in the program and which manufacture or market medicinal products for human use and which pursue pharmaceutical R&D&I activities in Spain, with the ultimate aim of publicly acknowledging the effort made by such enterprises in alignment with the general and specific objectives of the Program.

As new features of the call for applications for the PROFARMA Program for this period and in line with the new Pharmaceutical Strategy for Europe, adopted on November 25, 2020, the goal is to foster the manufacturing of medicines considered essential or strategic, research, development and manufacturing of new antimicrobial agents to reduce the threat that the development of resistance to antibiotics entails, research, development and manufacturing of medicines for the prevention and treatment of COVID-19, research that better respects animal protection principles, and the development of medicines with a lower environmental impact.

As is customary, it will **fall** to the **Office of the Secretary of PROFARMA** (made up of public officials from the Directorate-General of Industry and of Small and Medium-Sized Enterprises) to carry out the process of **assessment** of the enterprises that decide to apply for the Program according to the criteria established in an assessment guide adopted by the head of the Office of the Secretary General for Industry

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and SMEs. The assessment will consider, among other things, both the enterprise's **resources** (existence of a production plant, investment in new plants or expansion of existing plants, existence of a basic or preclinical R&D center, investment in new R&D centers, conduct of clinical trials in Spain, human team dedicated to R&D&I, participation in national and international consortiums, etc.) **and the results** obtained in certain areas (i.e. creation of new jobs, in both manufacturing and research, transfer of technology derived from licensing, improved trade balance, etc.) in the years 2020 and 2021.

Accordingly, and as a result of the assessment conducted, **enterprises are classified in three Groups** (A, B and C) depending on (i) whether or not they have their own pharmaceutical production plant or basic or preclinical R&D center and (ii) on the significance (or lack thereof) of the research activity they pursue. Equally, the head of the Office of the Secretary General for Industry and SMEs will **assign** them a rating (excellent, very good, good and acceptable) depending on the assessment and points obtained in accordance with the criteria and minimum score stipulated in the regulations.

The period for submitting applications for the 2022 call will run from September 14 to October 14, inclusive.

At the end of each year of the PROFARMA program (2021-2022), the progress made in the targets set will be measured using the following indicators:

INDICATORS	2021 CALL	2022 CALL
R&D investment	€40 million	€41 million
Production investment	€340 million	€344 million
R&D&I expenses	€1.25 billion	€1.255 billion
R&D&I employment	5,125	5,150
Production employment	15,200	15,250
Trade balance	€-3.5 billion	€-3.35 billion
% current expenditure on R&D / NHS sales	17.8%	18%

Beyond the PROFARMA Program, it should be noted that the Ministry of Science and Technology signed on March 3, 2021 a **Pact for Science and Innovation** in which a commitment was made that, as a general rule, public funding in R&D&I would regularly increase until reaching

1.25% of GDP in 2030, which would entail reaching 0.75% before 2024. The signatories to the Pact included both agents from the pharmaceutical industry and the National Business Association of the Pharmaceutical Industry (*FarmaIndustria*).

These aims tie in directly with many of the investments and reforms included in Component no. 17 of the National Recovery, Transformation and Resilience Plan aimed at “Institutional reform and strengthening of the capacities of the national science, technology and innovation system”, in its application to the health field and, particularly, with one of the **specific objectives** of the Strategic Economic Recovery and Transformation Project (“PERTE”) in Avant Guard Health approved on November 30, 2021, and consisting of **fostering the development of advanced therapies and other innovative or emerging drugs** and facilitating their transfer to clinical practice, through the necessary alliances between the academic and business sectors and the strengthening of the industrial fabric based on the intensive use of knowledge, to which more than **€140 million in public funds** will be allocated between the different lines and programs applicable during the 2021-2023 period.

Lastly, at the European level, mention should be made of the approval, on February 17, 2021, of the **European bio-defense preparedness plan “HERA Incubator” against COVID-19 variants** as a mechanism with which, in the short term, to combat the new COVID-19 variants and, in the long term, to prepare the EU for health emergencies. The plan establishes measures to (i) speed up the regulatory approval of vaccines, (ii) create new advance purchase agreements for medicines, and (iii) study the possible grant of aid for vaccine production, intermediary inputs and infrastructures.

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- 1 Introduction —
- 2 State incentives for training and employment —
- 3 State incentives for specific industries —
- 4 Incentives for investments in certain regions** —
- 5 Aid for innovative SMEs —
- 6 Preferred financing of the Official Credit Institute Instituto de Crédito Oficial or (ICO) —
- 7 Internationalization incentives —
- 8 EU aid and incentives —

## / 4 Incentives for investments in certain regions

### 4.1 GRANTED BY THE STATE

Regional incentives are financial subsidies granted by the Spanish State to productive investment projects carried out in previously-determined regions of Spain to promote and consolidate the pursuit of business activity in those areas and to boost the creation and maintenance of jobs in these areas. The aim is to help alleviate existing territorial imbalances and to reinforce the endogenous potential for development of regions with a lower level of growth. The State administration grants such aid in accordance with the demarcation of eligible areas and maximum aid intensities stipulated by the European Commission for regional state aid. The functions relating to regional incentives are attributed to the Directorate-General of European Funds, under the General Secretariat of European Funds, a new body created with the rank of sub-secretariat within the Secretariat of State of Budgets and Expenses of the Ministry of Finance.

As indicated, these incentives consist of financial aid to be used to finance investment projects that create jobs, to be executed in areas with the lowest level of development or less favored areas whose special circumstances so recommend, provided that they entail (i) the startup of a new industrial establishment; (ii) the expansion of an already established activity or the start of a new one or (iii) the modernization of facilities (provided that it is not a mere replacement investment).

Although the general regulations for this type of aid are found in Law 50/1985, of December 27, 1985, on regional incen-

tives for the correction of territorial imbalances, and in its implementing Regulations approved by Royal Decree 899/2007, of July 6, 2007, the geographic demarcation of the eligible areas and the specific definition of the maximum financing limits, as well as of the specific industry requirements regarding economic sectors, eligible investments and conditions, are regulated in the respective Royal Decrees demarcating each one of the economic development areas.

To date, the Royal Decrees demarcating economic development areas currently in force are still in line with the “**Guidelines on regional State aid for 2014-2020**” published on July 23, 2013 in the Official Journal of the European Union, as well as with the “**Regional Aid Map for Spain (2014-2020)**” approved by the European Commission on May 21, 2014. Suffice it to recall that in the context of the health crisis caused by COVID-19, the validity of these provisions was extended to December 31, 2021 by means of the **prolongation and amendment of the Guidelines on Regional State Aid for 2014-2020** (2020/C 224/02) published in the Official Journal of the European Union of July 8, 2020, as well as by the **Decision of the European Commission of September 4, 2020 authorizing the extension of the Regional Aid Map for Spain**, State SA.57997 (2020/N), respectively.

However, following the conclusion of this extension period, the European Commission has approved the **Guidelines on regional State aid for 2022-2027** (2021/C 153/01), which were published in the Official Journal of the European Union on April 29, 2021.

These Guidelines ask the respective Member States to notify the Commission of their new regional aid maps which will apply from January 1, 2022 to December 31, 2027 so that they can be approved by the Commission. The Guidelines also establish the possibility of including changes in the aid maps that were approved for the 2014-2021 period.

For these purposes, suffice it to recall that within the framework of the respective Guidelines on regional State aid in force in each period, the European Commission is responsi-

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ble for approving the aid map applicable in each Member State, stipulating the maximum limit of financial aid or subsidies that can be received by investment projects in each regional area or zone under “regional incentives” during the reference period.

By **Order HFP/1479/2021, of December 22, 2021, the Spanish government has published the Decision of the Government Committee for Economic Affairs, extending the period of validity of the Royal Decrees demarcating Economic Development Areas** for the purposes of applying for regional incentive aid (Official State Gazette no. 313, of December 30, 2021). This extension will remain in force “until the new Royal Decrees demarcating the different areas are approved or those currently in force are amended”.

As the approval of the new Royal Decrees depends on the prior approval of the regional aid maps by the Commission, it is not possible to foresee when the new legislative framework updated to this type of State aid will be available.

Nonetheless, it must be stressed that Order HFP/1479/2021 establishes that any aid that is granted on or after January 1, 2022 will be governed by the legislation that results from the adaptation to the new Community Guidelines.

In particular, according to the aid map amended in 2016, which remains transitionally in force, for the Kingdom of Spain, the Spanish region for which the greatest incentives are envisaged during this last stretch of the period of validity continues to be the Autonomous Community of the Canary Islands, with a maximum aid intensity percentage per investment project of up to 35% of the net eligible investment. In this respect, it is worth noting that Royal Decree-Law 20/2021, of October 5, 2021, adopting urgent support measures to repair damage caused by volcano eruptions and for economic and social reconstruction on the island of La Palma, has established additional relief that may be claimed by business projects that are carried out on the island of La Palma, at all times within the maximum limit set by the European Commission for this autonomous community.

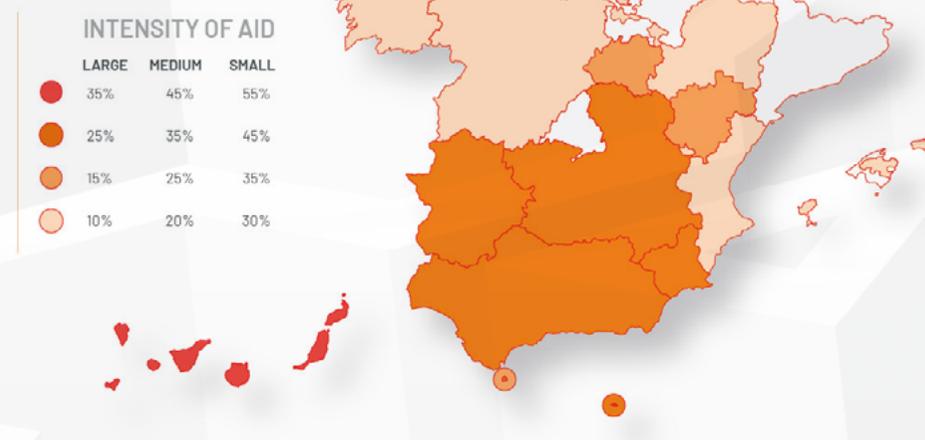
The autonomous communities of Castilla-La Mancha, Extremadura, Andalucía, the Murcia Region, and the Autonomous City of Melilla are other Spanish regions eligible for regional incentives with a maximum aid percentage of up to 25%, since their GDPs were found, in the review conducted by the Commission in 2016, to have fallen to below 75% of the average for the European Union over the period examined.

Similarly, the provinces of Soria and Teruel continue to feature prominently, with the grant of aid to these regions of up to a maximum intensity of 15% of the net eligible investment being permitted throughout the entire.

Finally, the maximum aid intensity percentage for the Autonomous Community of Galicia was reduced to 15% of the eligible investment for 2017, and was set at 10% for the sub-period 2018-

2020 (and, therefore, up to the present). The maximum intensity of the aid for the Autonomous City of Ceuta, on the other hand, has been reduced to 15%.

MAP OF REGIONAL INCENTIVES (2018-2020)



Source: <https://www.dgfc.sepg.hacienda.gob.es/sitios/dgfc/es-es/ipr/ir/ia/paginas/incentivosregionalesca.aspx>

In any case, during extended period the Autonomous Community of Madrid, the Basque Country, Navarra and Cataluña, as well as the municipality of the provincial capital of Valencia, the municipality of Zaragoza and certain municipalities of the Autonomous Community of La Rioja and of the Islands of Mallorca continue to be regarded as regions ineligible for subsidies, pursuant to the state legislation on regional incentives and the Royal Decrees demarcating economic development areas.

As stated, the aforementioned amendments to the regional aid map were incorporated into Spanish legislation through the appropriate amendments to the respective Royal Decrees of demarcation of each of the economic development areas, approved on December 30, 2016 (in force until the new Royal Decrees demarcating the areas are approved or the existing ones are amended).

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The Royal Decrees stipulate the maximum intensity of permitted aid (calculated as a percentage of the eligible investment), distinguishing among beneficiaries, according to whether they are large, medium-size and small enterprises, as shown on the following table:

ECONOMIC DEVELOPMENT AREAS	PREVIOUS ROYAL DECREES		NEW ROYAL DECREES 2014-2020	
	ALL ENTERPRISES	LARGE	MEDIUM-SIZED	SME
Canary Islands	40%	35%	45%	55%
Extremadura	40%	25%	35%	45%
Castilla-La Mancha, Andalucía, Murcia*	40%	25%	35%	45%
Melilla	20%	25%	35%	45%
Soria and Teruel / Ceuta	15% / 20%	15%	25%	35%
Galicia	30%	15%	25%	35%
Other Areas + previous category from 2018	From 10% to 20%	10%	20%	30%

\* Castilla-La Mancha, Andalucía, Murcia and Melilla from December 30th, 2016.

As already noted, these aid intensities must be reviewed in accordance with the new Guidelines on regional State aid for 2022-2027.

Having regard to the foregoing, the following is an explanation of the main current characteristics of the regional incentives analyzed:

### 4.1.1 ELIGIBLE ECONOMIC SECTORS

These are stipulated in each Royal Decree demarcating the respective geographical area. The main eligible sectors, however, are, in general, as follows:

- Processing industries and production support services, particularly those which apply advanced technology, pay attention to environmental enhancement and enhance the quality or innovation of the process or the product.
- Industries favoring the introduction of new technologies and the provision of services in the information technologies and communication subsectors.

- Services which significantly enhance trade structures.
- Specific tourist establishments and ancillary leisure facilities with an impact on development in the area which are innovative, especially in terms of environmental improvement, and contribute significantly to the area's endogenous potential.

### 4.1.2 TYPES OF ELIGIBLE INVESTMENTS

The types of investment eligible for incentives are new or first-time use fixed assets, referring to the following investment items:

- Civil engineering.
- Capital equipment, excluding external transportation items.
- In the case of SMEs, up to 50% of the costs incurred on the project's preliminary studies, which could include: planning, project engineering and project management of the projects.
- Intangible assets, provided that they do not exceed 30% of the total eligible investment, are used exclusively at the center where the project is carried out, are able to be inventoried and amortized and are acquired at arm's length from third parties not related to the purchaser.
- Other material investments, on an exceptional basis.

In accordance with the regional financing Guidelines for the period (2007-2013), the Regulations implementing the Regional Incentives Law already eliminated, at the time, the possibility of including lands as an eligible fixed asset. This exclusion has been maintained under the subsequent Guidelines on regional aid.

### 4.1.3 ELIGIBLE PROJECTS

- Projects for the creation of new establishments that give rise to the commencement of a business activity and also generate new jobs (which must be maintained for at least two years after the end of the term stipulated in the individual Resolution granting the aid). Projects must have a budget not less than that set as a minimum in the respective Royal Decrees of demarcation (generally, a minimum of €900,000).
- Project for the expansion of existing activities where they entail a significant increase in production capacity or the commencement of new activities in the same establishment, provided that they entail the creation of new jobs and the maintenance of existing jobs during the same period stipulated in the preceding paragraph.

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- Project for the modernization of the business which meet the following requirements:
  - The investment must be an important part of the tangible fixed assets of the establishment being modernized and must entail the acquisition of technologically advanced machinery which produces a notable increase in productivity.
  - The investment must give rise to the diversification of an establishment's production in order to attend to new and additional product markets or must entail a fundamental transformation of the overall production process of an existing establishment.
  - Existing jobs must be maintained during the aforesaid periods.

Replacement investments consisting of (i) the technological updating of a machine outfit which has already been depreciated, implying no fundamental change to the product or production process; (ii) the remodeling or adaptation of buildings as a result of the aforesaid investments, in compliance with safety or environmental provisions or by statutory imperative; and (iii) the incorporation of cutting-edge technology without fundamental changes to the process or to the product, are excluded.

- Requirements
  - The project must relate to an eligible sector and activity and be located in one of the designated areas.
  - It must be technically, economically, and financially viable.
  - Generally, at least 25% of the investment must be self-financed. However, depending on the features of the project, a higher rate may be required in the Royal Decrees of demarcation.

- The company developing the project must have a minimum level of equity, which will be stipulated in the individual Resolution granting the incentive and must be maintained through the last day on which the subsidy is in force.
- The application for regional incentives must be submitted before the investment in question begins to be made. In this connection, the investment will be begun to be made (i) upon the commencement of the construction works entailed in the investment; (ii) upon the first firm commitment for the order of equipment or (iii) any other commitment making the investment irreversible, whichever comes first. The purchase of lands and preparatory work (such as the obtainment of permits and the performance of preliminary viability studies) are not regarded as the commencement of work.

The applicant must prove to the Autonomous Community, using the standardized form known as the “solemn declaration of non-initiation of investments”, that the investments had not been initiated prior to the filing of the application for regional incentives. The Autonomous Community may also request a notarial certificate as evidence of the foregoing (*acta notarial de presencia*) or perform an on-site inspection of the land, with a view to ensuring that this requirement has been met.

- The aid should serve as an “incentive”—i.e., evidence is given that the applicant undertaking the project would not have done so without the aid or would have done so in a limited or different way or in another place. Accordingly, an explanation must be given of the impact that would be produced on the decision to invest or on the decision to locate the investment in the region in question should the regional incentives not be received (for large companies the explanation also requires the submission of documentary evidence).
- The aid applicant must report accordingly, if it has discontinued the same activity or another similar activity in the

European Economic Area within the two years preceding the application date, or if it plans to discontinue said activity within two years after completion of the investment for which the aid is requested. In such case, the potential grant of aid will require prior analysis, and prior notice must be served on the European Commission, so that it can decide whether to authorize or to reject its grant.

### 4.1.4 TYPES OF INCENTIVE

The regional incentives available for grant consist of:

- Non-returnable subsidies for the approved investment.
- Subsidies for the interest on loans obtained by the beneficiary from financial institutions.
- Subsidies for the repayment of those loans.
- Any combination of the foregoing.
- Reductions in the employer's social security contribution for common contingencies during a maximum number of years, to be determined by regulation, subject to the provisions of the legislation on incentives for hiring and for fostering employment.

In the cases under letters b), c) and d) above, there is also a possibility of regional incentives being converted into a percentage of the subsidy on the approved investment.

However, the most common type of regional incentive takes the form of an outright subsidy.

### 4.1.5 PROJECT ASSESSMENT

Projects must be evaluated using the methods stipulated in each Royal Decree of demarcation, which will also determine the percentage of subsidy to be granted for each project. Notwithstanding the specific provisions of each Royal Decree, the main parameters to date considered by the relevant bodies are as follows:

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- Total amount of the eligible investment considered eligible.
- Number of jobs created.
- Revitalizing nature or contribution to the area's economic development and use of its production factors.
- Added value of the project (if newly created) or increase in productivity in other cases.
- Inclusion the project of advanced technology, quality systems, environmental measures, R&D&I expenses, etc.
- Location in an area considered a "priority" (defined as such in the demarcation Royal Decree).

### 4.1.6 COMPATIBILITY OF DIFFERENT INCENTIVES

No investment project can receive other financial aid if the amount of the aid granted exceeds the maximum limits on aid which have been stipulated for each approved investment in the Royal Decrees of demarcation of eligible areas.

Therefore, the subsidy received is compatible with other regional aid originating from other public authorities, provided that the sum of all the aid obtained does not exceed the limit established by the Royal Decree of demarcation and EU rules do not preclude it (incompatibilities between Structural Funds).

### 4.1.7 APPLICATION PROCEDURE

- Documentation:
  - Standardized application form addressed to the Ministry of Finance, although it must be submitted to the competent body of the corresponding Autonomous Community, which will be in charge of processing it. Submission of the application does not require the approval of a prior call, and interested parties will have an open-ended period to submit their applications on an ongoing basis.
  - Documentary evidence of the applicant's personal circumstances or, in the case of an incorporated

company, its registry data. If the company is in the process of being incorporated, the projected registry data and the data of the developer acting in its name.

- Standardized explanatory investment project memorandum, together with documentation evidencing compliance with all environmental requirements.
- Formal declaration, on a standardized form, of other aid applied for or obtained by the applicant for the same project.
- Evidence of the company's compliance, as of the date in question, with its tax and social security obligations or, as the case may be, authorization from the Directorate-General of European Funds to obtain the certificates to be issued by the State Tax Agency and by the Social Security General Treasury. In the case of a company being incorporated, the obligation will be deemed to refer to the developer.

- Where to submit:

The appropriate body of the Autonomous Community where the project is to be carried out.

- Agency granting the aid:

The Government Delegate Committee for Economic Affairs if the eligible investment exceeds €15,000,000.

In all other cases the head of the Ministry of Finance (in particular, through the Sub-directorate General of Regional Incentives, under the Directorate-General of European Funds).

- Decision deadline:

The maximum deadline for deciding on applications and serving notice thereof is 6 months from the date on which the application is registered with the Ministry of Finance (although this deadline may be extended).

If the initial term and, as the case may be, any extended term ends without an express decision have been issued, the regional aid application may be deemed to have been rejected.

- Acceptance of the grant of aid:

Express notice of acceptance of the aid must be served by applicants on the relevant agency of the Autonomous Community, within the first 15 business days after the date on which notice of the individual decision to grant the aid is received.

If no notice is served by the end of such period, the grant of aid will be rendered null and void by the Directorate-General of European Funds and the dossier will be shelved.

- Submission of decisions at the Mercantile Registry:

After its acceptance, the beneficiary must file the Decision granting the aid with the Mercantile Registry within one month from the date of acceptance, so that the terms on which the aid was granted can be registered.

All decisions subsequent to the grant of incentives (extensions, amendments, etc.) must also be filed by the same deadline.

In general, compliance with this requirement must be evidenced to the relevant Autonomous Community agency within four months after acceptance of the related decision (six months, in the case of a company being incorporated). If evidence is not submitted by the deadline, the Directorate-General of European Funds will render null and void the grant of the regional aid.

### 4.1.8 EXECUTION OF THE PROJECT AND ALTERATIONS SUBSEQUENT TO GRANT

Investments may be initiated without having to wait for the final decision to be adopted, provided that applicants have suitably proven, as stipulated above, that such investments

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had not been initiated before the application was filed. This possibility does not, however, prejudice the decision finally adopted.

In general, subsequent incidents in the project (*i.e.*, alteration of the initial project, change in the locating of the project, etc.) will be resolved by the Directorate-General of European Funds. Nonetheless, if the alteration of the project entails changes in the activity or a variation in the amount of the incentives granted, the amount of the investment approved or the jobs to be created, in excess of the limits set in article 31.1 of the Regulations of the Incentives Law, they will have to be resolved by the same body that granted the aid.

Applications for alteration of the projects must be submitted to the relevant Autonomous Community agency and addressed to the Ministry of Finance, and must specify the conditions which have been altered since the filing of the initial application.

The deadline for deciding on applications and serving notice thereof will be six months following their receipt by the Directorate-General of European Funds. As a general rule, if the administration fails to respond, this can be construed as an affirmative decision. However, when the alteration entails a change in activity, variation in the incentives, in the amount of the incentive approved, or in the job positions to be created, and it exceeds the thresholds established in the aforementioned article 31.1 of the Regulations for the Incentives Law, the absence of a response within the stipulated time must be construed as a rejection of the alteration application.

### 4.1.9 PAYMENT PROCEDURE

Following issue of a report confirming the degree of compliance with the requirements imposed by the relevant agency on the project in question, the beneficiary must file a request for payment of the subsidy (on a standardized form) together with the other required documentation (evidence of performance of tax obligations and obligations to social security,

etc.) with the relevant Autonomous Community agency from which it will be referred to the Directorate-General of European Funds.

### 4.1.10 PAYMENT SYSTEM

Subsidies may be paid using the following methods:

- Final payment: After the end of the term, the beneficiary may only request payment in full of the subsidy granted or of the part to which he is entitled if there has been any breach.
- Payment in full: During the term, the beneficiary may only request a single payment of the total subsidy after the entire investment has been made and subject to the submission of the related bank guarantee. This payment may only be requested subsequent to the dates of compliance, once each and every one of the conditions imposed on the holder have been verified and prior to the end of the term.
- Payment in part: During the term, the beneficiary may request payments of the subsidy as he justifies the partial making of the investment, provided that this is authorized in the individual decision to grant the subsidy.

For more information, please consult the website of the [Ministry of Finance](#).

### 4.2 REGIONAL AID GRANTED BY THE AUTONOMOUS COMMUNITIES

Some Spanish Autonomous Communities also provide similar incentives, on a smaller scale, for investments made in their regions. Only some of these incentives are compatible with EU and State regional incentives. Specifically, if State regional incentives have been applied for in connection with a given project, the maximum limits established in each Royal Decree of demarcation must be taken into account.

In fact, some Autonomous Communities grant investment incentives in areas not covered by state legislation but which are included in EU regional financial aid maps.

Most Autonomous Community incentives are granted on an annual basis, although the general conditions of the incentives do not usually change substantially from year to year.

In view of the impossibility of including a detailed description of the aid granted by each Autonomous Community, we summarize below their main and traditional features (which are generally very similar to those of State regional incentives).

Nonetheless, bear in mind that the incentives granted by the Autonomous Communities were also affected by the content of the Guidelines on regional State aid and by the limits and maximum aid intensity percentages established in the regional aid Map amended in 2016, for the 2014-2020 period (and its subsequent extension), and the regulation of these incentives should therefore have been adapted to the new framework established and must be adapted again to the regulations resulting from the new EU guidelines for 2022-2027.

#### 4.2.1 TYPES OF PROJECT

Opening of new establishments, expansion of activities, modernization and technological innovation. The creation of new jobs is normally required.

#### 4.2.2 MAIN INDUSTRIES

In general, the main eligible industries are industrial support services, processing industries, tourism, culture, industrial design, electronics and computing, renewable and environmental energies.

#### 4.2.3 PROJECT REQUIREMENTS

They are basically the same as those imposed at State level.

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### 4.2.4 TYPES OF INCENTIVE

The main incentives are:

- Nonrefundable subsidies.
- Special conditions for loans and credit.
- Technical counseling and training courses.
- Tax incentives.
- Guarantees.
- Social security relief.

### 4.3 SPECIAL REFERENCE TO INVESTMENTS IN THE CANARY ISLANDS

The Canary Islands Autonomous Community has traditionally enjoyed a regime of commercial freedom involving less indirect tax pressure and exclusion from the sphere of certain State monopolies. These conditions have given rise to an economic and tax system which is different from that existing in the rest of Spain.

Of course, an attempt has been made to reconcile these special circumstances with the requirements of Spanish membership of the European Union.

In this regard, the Central Government has been increasing flexibility as much as possible in connection with the functioning of regional incentives and localization of investments on the Canary Islands, imposing no further limitations than those stipulated in EU legislation and giving preferential treatment to investments in the peripheral islands by requiring a minimum level of investment lower than that established for the rest of Spain.

As a corollary of these efforts to address the uniqueness of island regions, the European Commission authorized the creation of the Canary Islands Special Zone (*Zona Especial*

*Canaria* or *ZEC*) in January 2000, with a view to attracting and encouraging the investment in the Canary Islands of international capital and companies which make a decided contribution to the economic and social progress of the Canary Islands.

The period for using the benefits of the ZEC is through December 31, 2027, although this may be extended if authorized by the European Commission (please also see [Chapter 3](#) and <https://canariaszec.com>). However, the authorization for registering companies in the Official Register of Entities of the Canary Islands Special Zone has been extended to December 31, 2023, by means of Royal Decree-Law 31/2021, of December 28, 2021.

It is important to note that incentives aimed at upgrading and modernizing the banana and tomato growing and fishing-related industries are also available under the Community Program to Support Agricultural Production on the Canary Islands.

Along these same lines, please note the **Integral Strategy for the Canary Islands Autonomous Community**, approved by decision of the Council of Ministers dated October 9, 2009. The main objectives of this Strategy were implemented in Additional Provision Fourteen of Sustainable Economy Law 2/2011, of March 4, 2011, as a guide for initiatives of the Government and of the General State Administration on the Canary Islands. In particular, under the former Strategy priority was to be given to initiatives connected with the policy to internationalize the Canary Island economy, energy planning, with special attention to renewable energies, ground, airport and port infrastructures, subsidies for goods transport to or from the Canary Islands, the fostering of tourism and the contribution to the development of industrial sectors and of telecommunications on the Canary Islands.

In particular, from the standpoint of internationalization, the *Sociedad Canaria de Fomento Económico, S.A. (PROEXCA)* was formed under the Department of Economy, Knowledge and Labor of the Canary Island Government,

with a view to fostering the internationalization of the Canary Island enterprise and attracting strategic investments to the Islands. *PROEXCA* acts as an official agent for the promotion of investments on a regional scale, serving companies which seek to invest in the Islands and which offer them high added value and sustainability.