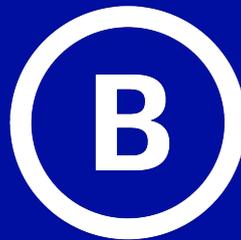


What the approval of the startup law means for Barcelona

Barcelona Global's contribution to the Law for the Promotion of the Ecosystem of Emerging Companies

Barcelona Global



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WHAT THE APPROVAL OF THE STARTUP LAW MEANS FOR BARCELONA

Where we come from

Barcelona, the entrepreneurial hub of Southern Europe

At the end of 2021, Barcelona had 1,900 startups according to Barcelona & Catalonia Startup Hub Acció. It's no wonder that it's the 3rd favourite city in Europe for creating a startup (source: Startup Heatmap Europe) and occupies 5th place in the ranking of European scale-up hubs (source: Mind the Bridge), with more than 160 rounds of funding generating €1.789 billion in the last year (source: CB Insights).

These figures put Barcelona in seventh place in Europe in terms of investment in technology companies in 2021, according to Atomico's State of European Tech 2021.

This competitive position in the sector has recently been demonstrated by the emergence in Barcelona of Spain's leading unicorns: Glovo, Wallbox, Travelperk and Factorial, following in the slipstream of such global success stories as Fractus, eDreams and Privalia.

Barcelona, becoming a leader in attracting digital hubs

Barcelona has also positioned itself as one of the main destinations for the digital hubs of large global corporations such as Nestlé, Zurich, Sanofi, Roche, PepsiCo, HP, Amazon, SAP and more. This is mainly due to Barcelona's attractiveness in the eyes of global digital talent.

Barcelona is considered by Boston Consulting Group as the 10th most desirable city for digital talent to work in. It is also the 2nd best city in Europe for software developers, and a location where 29% of digital professionals are international.

What Barcelona needs to improve its position as a city of talent

The Barcelona Global International Talent Monitor (the main survey that has been conducted for the past 10 years among international talent living and working in Barcelona), as well as the Barcelona Global Scale-up Monitor (which identifies the needs of the ecosystem of growing companies) are key sources of information on what international talent and the founders and top executives of innovative growing companies (scale-ups) think of the city.

In this regard, Barcelona Global believes that the city has the opportunity to become one of the world leaders for talent and economic activity; an opportunity that could enable Barcelona to grow in terms of quality employment, income and better services.

To this end, both the experts consulted by Barcelona Global and the opinions of those surveyed in the association's various monitors identified the following needs:

1. Ensuring Barcelona's international connectivity, which is rated as very good.
2. Streamlining the procedures and bureaucracy associated with bringing international talent to Barcelona.
3. **Improving the taxation associated with people who decide to move to Barcelona (the so-called impatriates).**
4. Accelerating the attraction and generation of talent in Barcelona.
5. Making English a standard language for dealing with the authorities, in everyday life and especially at school.
6. Opening up Barcelona society to interaction with the so-called Barcelonians by choice.

What Barcelona Global has achieved to bring us closer to becoming the city of talent we aspire to be

In recent years, Barcelona Global has been working to progress these 6 aspects and in particular:

1. Promoting the Barcelona International Welcome Desk with the Barcelona City Council to streamline procedures for international talent.
2. Creating an engineering and economics degree with the UPC and the UPF (Industrial Technologies and Economic Analysis), which has already produced its first generation of graduates.
3. Providing MBA students with knowledge of Barcelona's entrepreneurial, business and research ecosystem through MBA Day.
4. Opening up Barcelona society to international talent through Hola Barcelona! Cocktail, which has already held 9 events, and the more than 100 Hola Barcelona! Dinners that have been organised.
5. Creating Barcelona & Partners as a public-private agency to identify and attract large investments to Barcelona.

Barcelona Global's lobbying for the improvement of taxation and bureaucracy to attract talent

Barcelona Global has been acting as a lobbyist to improve taxation and bureaucracy with the aim of attracting talent and boosting entrepreneurship.

For this purpose, it has involved 14 law firms pro bono, which it has worked with on both comparative studies of the taxation associated with talent and the detailed analysis of advanced tax systems for attracting talent, such as those of Italy and Portugal. The work of these 14 law firms has been coordinated by Cuatrecasas and Garrigues partners Sonia Velasco and Albert Collado, respectively, with technical support from Cristina H. Valiñani, Project Director at Barcelona Global.

This process began in 2017 under the presidency of Gonzalo Rodés and the management of Mateu Hernández and since then under the successive presidencies of Pau Guardans, Aurora Catà and now Maite Barrera. The association has met with senior government officials such as the Prime Minister Pedro Sánchez; Deputy Prime Ministers Soraya Sáez de Santamaría and Nadia Calviño; ministers such as Pedro Duque, Reyes Maroto and José Luís Escrivá; as well as Secretaries of State for Finance, Economy and Digitalisation.

Likewise, Barcelona Global's proposals have also been submitted to the President of the Government of Catalonia, Pere Aragonés; the Ministers of Economy Andreu Mas-Colell, Oriol Junqueras and Jaume Giró; the Minister of Business and Work Roger Torrent; as well as the Deputies of most political parties, in particular PDeCAT (Ferran Bel), PSC (Montse Mínguez), PSOE (Pedro Casares), Podemos (Txema Guijarro), ERC (Joan Capdevila and Joan Margall), PP (Elvira Rodríguez) and Cs (María Muñoz).

All of this work has led to the adoption of the Law for the Promotion of the Ecosystem of Emerging Companies. To summarise, in this process we have involved:

- 5.1. 14 major law firms that are members of Barcelona Global (Cuatrecasas, Deloitte, EY, Garrigues, Gómez-Acebo & Pombo, KPMG, Martínez-Comín, Osborne Clarke, Optio, Pérez-Llorca, PWC, Roca Junyent, Toda & Nel-lo and Uría Menéndez) and the consultancy firm Mercer, with the participation of a total of 38 lawyers.
- 5.2. 57 scale-up founders and 9 investors in the ecosystem involved in the consultation processes carried out throughout the procedure, and in particular in the preparation of the Scale-Up Monitor.
- 5.3. 65 companies in 8 different focus groups associated with the Barcelona Global International Talent Monitor.

- 5.4. 150 members of the Barcelona Global International Council who provided information and insight on taxation and procedures for attracting talent to Barcelona.
- 5.5. 2.500 Barcelonians by choice consulted on taxation and bureaucracy for attracting talent to Barcelona.
- 5.6. High-level meetings with 34 governmental and political officials.

What steps are now being taken with regard to the Law for the Promotion of the Ecosystem of Emerging Companies?

The Law for the Promotion of the Ecosystem of Emerging Companies is an important, but not definitive, step towards attracting and bringing back talent, as well as improving the competitiveness of Barcelona's entrepreneurial ecosystem. The Law includes significant advances that it is important to celebrate so that we can continue working to ensure that the knowledge and talent economy in Spain has greater opportunities to grow and consolidate itself.

The Law for the Promotion of the Ecosystem of Emerging Companies, pioneered by the Ministry of Economic Affairs and Digital Transformation, through the Secretary of State for Digitalisation and Artificial Intelligence, is an initiative that arose during the first Pedro Sánchez government under the leadership of the then Secretary of State for Digital Advancement, Paco Polo (now High Commissioner for Spain as an Entrepreneurial Nation), and has been continued by the current Secretary of State Carme Artigas under the political leadership of the First Deputy Prime Minister of the Government, Nadia Calviño, with the support of the High Commissioner and the complicity of the Treasury.

As detailed above, Barcelona Global has been deeply involved since the beginning of the work on this Law, focusing its efforts on improving the following matters:

1. Taxation associated with the arrival and return of talent to Spain, especially investors, entrepreneurs and independent professionals, as well as the families of all impatriates.
2. Taxation associated with R&D investment related to the entrepreneurial environment.
3. Taxation associated with the recruitment of talent by new companies through what are known as stock options.
4. The procedures associated with work visas and residence permits for international talent.
5. The procedures associated with the processing of the NIE (Foreigner Identity Number) for international talent recruited to work, invest, conduct research, study, create or undertake business in Spain.

What improvements do the proposals that Barcelona Global has introduced in the Law for the Promotion of the Ecosystem of Emerging Companies bring to Barcelona?

1. Barcelona will progress with attracting talent through improvements in taxation for Spaniards who want to return to Spain and internationals who want to come as investors or professionals.
 - 1.1. For the first time, investors and independent professionals will be able to benefit from the impatriate regime under which they will pay IRPF (personal income tax) at a rate of 24% for 5 years, and will be taxed on their assets in Spain instead of their worldwide assets. In the case of independent professionals, this condition will apply if 40% of their turnover or activity is associated with knowledge economy activities or startups.
 - 1.1.1. This circumstance allows investors and independent professionals (architects, lawyers, advisors, consultants, artists, etc.), who until now

were not included in the impatriate regime, to come to Spain under better conditions than those that were previously in place, which meant that they were taxed as residents and also paid tax on the wealth they had generated abroad, a unique situation in Europe. This was unfair when compared to professionals who made the transition as salaried employees and could benefit from the regime.

- 1.2. Finally, the partners and family members of impatriates will also be able to benefit from this regime.
 - 1.2.1. This makes it easier to attract families of senior managers, entrepreneurs, salaried employees, investors and professionals.
- 1.3. The required number of years outside of Spain to benefit from the impatriate regime is reduced from 10 to 5.
 - 1.3.1. This will facilitate the return to Spain of highly qualified professionals who left the country to work and train in other environments.
2. Barcelona's emerging companies will be able to recruit highly qualified professionals through the traditional remuneration systems of the entrepreneurial world, specifically stock options. Until the law came into force, stock options were heavily penalised by the Spanish tax system, since the shares were taxed based on a value that in many cases was theoretical and their full value was considered as earned income.
 - 2.1. From January 2023, taxation of stock options in emerging companies will be effective when the holder of these stock options realises a so-called "liquidity event" (i.e. there is an acquisition, merger, initial public offering (IPO) or other process that allows some or all of the shares to be cashed in).
 - 2.1.1. Until now, anyone who held options on a successful emerging company paid for the (theoretical) value of these shares, whether or not they could be monetised. It is the case that stock options are awarded as a remuneration and talent retention strategy in growing companies, and such options cannot be sold until a specific date in the future. Taxing an action that it was not possible to monetise at the time was not something that occurred in any neighbouring entrepreneurial ecosystem.
 - 2.1.2. The change brought about by the Law will allow emerging companies to recruit programming, financial, creative and managerial talent to drive their growth without the need for large outlays and with the promise of participating in the growth of these companies without burdening themselves in the here and now.
 - 2.2. With the Law for the Promotion of the Ecosystem of Emerging Companies, taxation related to stock options is significantly improved, with €50,000 per year being exempt.
 - 2.2.1. This will increase the appeal for professionals and senior managers wishing to work in emerging companies and Barcelona will be able to attract professionals who are skilled in the international growth of startup companies.
3. Highly qualified international professionals who come to Barcelona to work, start businesses, conduct research, create, teach, study or invest will have easier access to the NIE (Foreigner Identification Number) needed to register with the Social Security, sign an employment contract, open a bank account, invest in companies, buy or rent property, etc.
 - 3.1. The new Law allows passport numbers to be used (instead of the NIE) for Social Security registration for a period of 6 months, thereby allowing companies and research centres to streamline the recruitment of international research personnel and talent.

4. International students who come to Barcelona to study at our universities and business schools will find it easier to stay and work, start businesses or conduct research in Barcelona.
 - 4.1. The Law allows those who have a study visa, once they have graduated, to remain in Barcelona to work, start businesses or conduct research for the two years after the completion of their studies.
5. Those investing from Barcelona in emerging companies will benefit from a favourable tax regime on the returns on their investments.
 - 5.1. The Law will allow investors in venture capital funds or business angel managers to be taxed on the so-called carried interest by applying certain exemptions (included in the tax base for 50% of their amount).
 - 5.1.1. This will enable Barcelona to attract and retain more and better investment funds in emerging companies, since their members will be taxed more favourably on the profits of the investee companies and also on the profits they generate from managing these funds.
6. Private and individual investment in emerging companies will be better incentivised.
 - 6.1. The Law increases the deductible amount from €60,000 to €100,000 for individuals if they are investing in emerging companies, and increases the deduction from 30% to 50%.
 - 6.1.1. This will enable an increase in the number of people and resources investing in the creation of new emerging companies in Barcelona as the incentives will be higher.
7. Digital nomads will be able to work from Barcelona for companies based in other countries.
 - 7.1. The Law will allow independent professionals or workers with an employment or professional relationship with companies outside of Spain to legally work or provide services from Spain. They will therefore be given access to a residence permit as highly qualified professionals for a period of three years.
 - 7.1.1. This will consolidate Barcelona's position as one of the key destinations in Europe for digital nomads and will enable a larger number of qualified professionals to work from Barcelona for the whole world.
8. Status as an innovative emerging company, to be determined by the competent administration, will be granted more quickly than was foreseen in the draft Law.
 - 8.1. The Law states that, if after three months the mandatory report on the emerging company's innovative aspect has not been issued, it will be considered as such by positive silence.
 - 8.1.1. This will save time and uncertainty for the companies wishing to come under the umbrella of the Law for the Promotion of the Ecosystem of Emerging Companies in the face of an administration that is often viewed as not being very agile.

What we can achieve now for Barcelona

1. Barcelona will be able to attract entrepreneurs, investors and independent professionals while maximising its widely known positive aspects, having reduced the barrier of taxation that has until this point been out of line with neighbouring countries.
2. Attracting successful entrepreneurs from other countries with experience in scaling up companies, whose knowledge is essential for Barcelona to become a hub that creates unicorns.
3. Attracting investors to increase the capital available to startups and increasing investor awareness, both among companies and other economic actors.

4. Generating competition between startups and corporations when it comes to attracting talent with stock option plans, without the attractiveness of stock options being nullified by taxation.
5. Encouraging the transfer of knowledge from universities to businesses and society with the creation of spin-offs that can benefit from being considered as emerging companies.
6. Increasing the mobilisation of money from individuals to investing in startups, through increases in IRPF (personal income tax) relief.

Where there is room for improvement in this area

Although many improvements have been made to the Law for the Promotion of the Ecosystem of Emerging Companies, Barcelona Global believes that it is important to continue pushing forward with bringing Barcelona and Spain ever closer to neighbouring economies, which have prioritised the attraction of talent as a national policy. In particular, we believe that the following aspects can be improved in the future:

1. Regarding the impatriate regime:
 - 1.1. Extending the impatriate regime to all independent professionals, without the need to prove their link to the knowledge economy as provided for in the Law (40% of turnover in startups).
 - 1.2. Extending the duration of the impatriate regime to 10 years from the current period of 5, with the aim of ensuring that these impatriates settle in Spain with their families.
2. Regarding the taxation of large companies in the emerging company sector:
 - 2.1. Allowing companies that invest in emerging companies to deduct the R&D&I investment made by those companies, so that there are more incentives for open innovation in large companies and such companies can do so through new emerging companies.
3. Regarding the stock options regime:
 - 3.1. Extending the regime established for startups to scale-ups, which would ensure accelerated growth for potential unicorns.

What we need to do now to maximise the impact of the new Law for the Promotion of the Ecosystem of Emerging Companies

1. Developing a global communication campaign to let investors, entrepreneurs and independent professionals know that Barcelona is open to them.
2. Taking advantage of major events such as MWC, ISE, 4YFN, the America's Cup, and others, to share the improvements that the Law for the Promotion of the Ecosystem of Emerging Companies brings with investors and companies.
3. Involving the founders of successful companies in Barcelona to spread awareness of the advantages of the Law among their international investors.
4. Involving Barcelona Global's international members (the 160 members of the International Council and the almost 200 Barcelonians by choice who make up the association) in spreading awareness of the advantages that the Law brings for attracting talent to Barcelona.

Barcelona Global is a private, independent and non-profit association composed of 233 companies, research centres, entrepreneurs, business schools, universities and cultural institutions, and more than 920 professionals that aim to make Barcelona one of the best cities in the world for talent and economic activity.

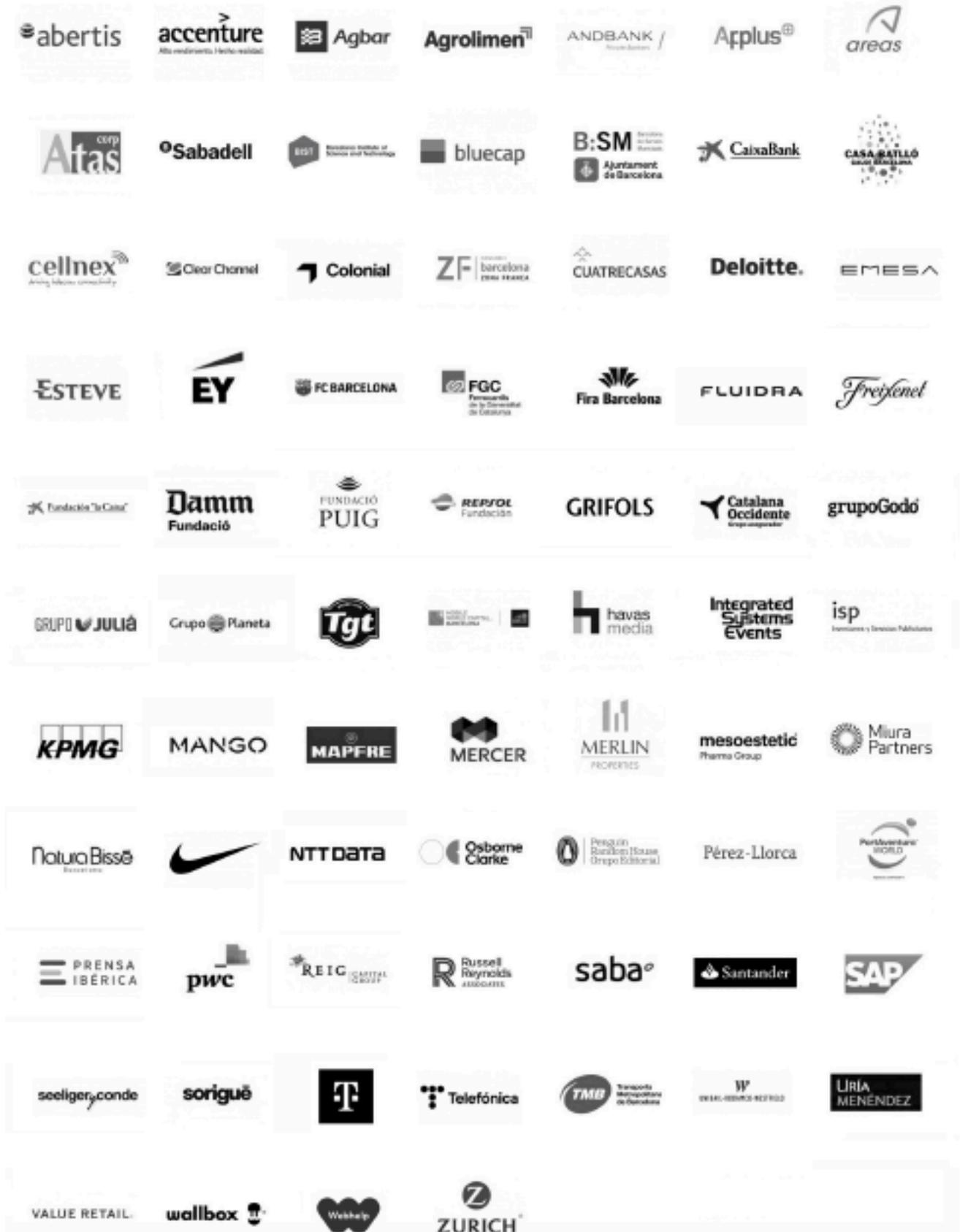
The association also has a network of more than 150 members who live and work outside Spain, and 18% are international members who have chosen to live and work in Barcelona.

Barcelona Global promotes and leads projects to attract talent and business; is committed to initiatives that drive its members and supports their success; as well as rallying its members to identify challenges and projects for the city in the areas of Entrepreneurship and Competitiveness, Research and Knowledge, Culture, Tourism and Social Impact.



Make it happen!

Corporate protector members



Corporate Members



Travessera de Gràcia 17
Barcelona 08021
+34 936 761 250
barcelonaglobal@barcelonaglobal.org
barcelonaglobal.org
@barcelonaglobal



We want to make **Barcelona**
one of the **world's best cities**
for talent and economic activity.

Make it happen!



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