



Guide to Hiring in Spain

Spain's delicious cuisine, Mediterranean beaches, history, music, and traditions have made this European country a favorite tourist destination for decades. Spain is equally attractive for businesses looking to expand internationally because of its high level of development, fast growth, large economy, and ready access to the European Union and connected markets across the Middle East, northern Africa, and Latin America.

Before expanding into Spain, companies will need reliable information about contract requirements, taxes, wages, benefits, and other essential considerations. This guide to hiring employees covers the details and offers a few tips for hiring in Spain.

What to know before hiring in Spain

Before you add new employees to your team in Spain, you'll want to learn the basics of contracts, payroll taxes, and other employment requirements. Here are some considerations to keep in mind.

1. Contract employment

The first thing to know about hiring in Spain is that businesses must abide by specific laws that govern notice period and termination requirements. For every employee, a company must also draft and sign a written contract that includes the following sections:

- Job Position
- Compensation
- Benefits
- Probationary period, if any
- Grounds for dismissal
- Termination requirements

Spanish law does allow for a [two-month probationary period](#) for most new employees and a six-month probationary period for qualified technicians. During these probationary periods, the company can terminate an employee if the relationship is not working out.

For an indefinite contract without a probationary period, certain rules limit the way companies may terminate their employees. A company may generally terminate a contract under these circumstances:

- Employee voluntarily resigns,
- Employer and employee mutually agree to the separation,
- The reason for the termination is listed in the contract as grounds for dismissal,
- The company has grounds for a disciplinary dismissal, if justified
- The company is dismissing employees collectively on technical, economic, production, or organizational grounds,
- Another objective, legally permissible cause allowing for dismissal.

In practice, these requirements mean that when an employee performs inadequately in a role, the company generally comes to a mutual agreement with that employee to dissolve the contract. If a company dismisses an employee unfairly, severance penalties will result. The severance paid for wrongful termination generally works out from 20 to 33 days of salary, including average bonuses and commissions, per every year of the worker's employment. If the employer wishes to terminate the employee immediately, it must also pay an additional month's salary as a penalty for giving no notice.

2. Payroll and taxes

In Spain, companies must pay a social security tax for each of their workers. That tax generally equals 29.9 percent of the employee's salary up to **4,070.10 euros**.

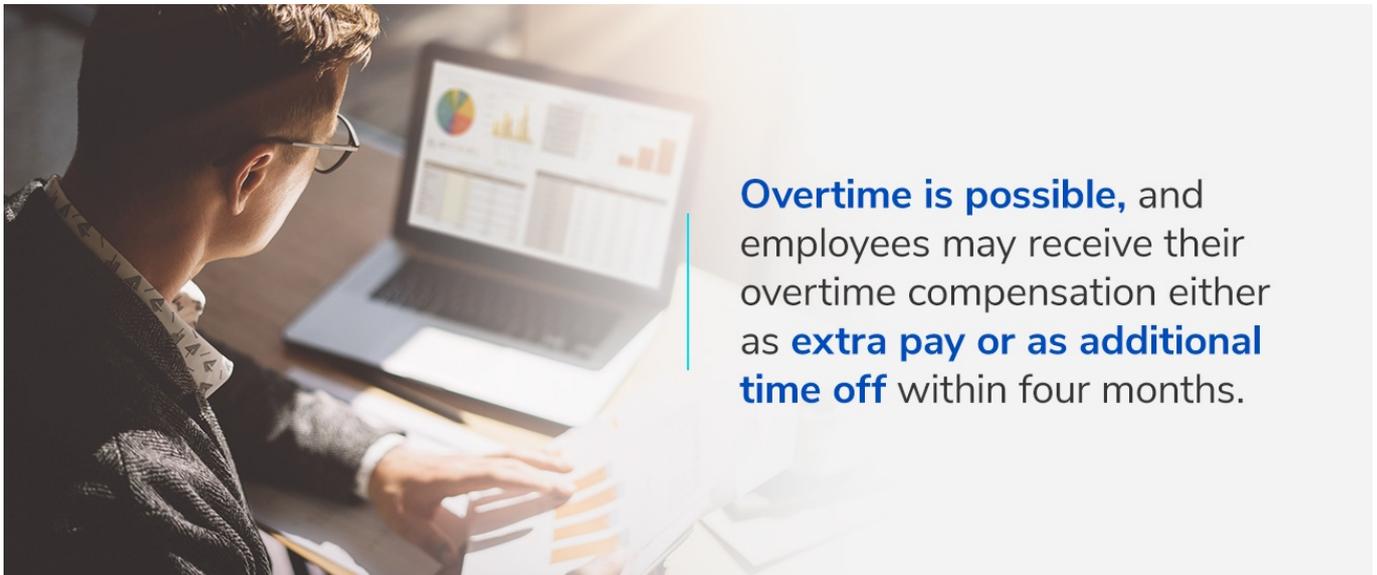
Businesses operating in Spain must also pay local and national taxes, including the following:

- Branch profit tax
- Capital tax
- Corporate income tax
- Real property tax
- Transfer tax
- Value-added tax (VAT)
- Miscellaneous local taxes

The VAT rate is **21 percent**, and the corporate tax rate is 25 percent.

Additionally, your company's hires will be subject to Spain's progressive income tax, which increases with a worker's salary. Non-residents are also subject to withholding tax requirements that range from 19 percent in dividends and interest to 24 percent in royalties.

Employees who are not local nationals can apply for the **Beckham law**, which will allow them to have a fixed rate for the personal tax income (IRPF) of 24 percent for up to six years. This is the responsibility of the employee.



3. Wages and working hours

The standard workweek in Spain consists of 40 working hours, though many companies choose to shorten that time to **37 or 38 hours**. Employers may also distribute that time as they wish throughout the year, with some weeks including more than 40 hours and some including less, as long as the relevant collective bargaining agreement (CBA) sanctions the arrangement.

Overtime is possible, and employees may receive their overtime compensation either as extra pay or as additional time off within four months. Paid overtime may not, however, exceed 80 hours annually unless extraordinary circumstances warrant it.

As of December 2020, the Spanish government has set the minimum wage at **950 euros per month**. That figure is temporary, though, and may rise as part of an ambitious plan to increase the minimum wage to 60 percent of the country's average salary. CBAs may also mandate higher minimum wages in specific industries.

Spain does not require specific annual or 13th-month bonuses, though many sales contracts include bonuses and commissions.

4. Time off

Spain recognizes 10 national holidays and four regional or local public holidays, so generally all regions in Spain have 14 days of paid, public holiday leave. Several provincial holidays are important as well, so be sure to research your region and find out what extra days it celebrates.

Additionally, employers in Spain must provide 22 working days or **30 calendar days** as annual paid time off. This is established in each applicable Collective Bargaining Agreement. These days cannot be paid out as extra compensation, so employees have a significant incentive to take their full paid time off.

Spanish law does not provide for separate sick leave. Instead, if employees cannot work because of illness or injury, they receive at least 60 percent of their usual wages while they are out. The specific amount depends on the industry, the terms of the applicable Collective Bargaining Agreement, and the employee's position. The company must pay the employee directly and then receive social security reimbursement. A period of sick leave may last for up to 18 months if necessary before undergoing further review. Employees in Spain may also take paid time off for various family circumstances:

- Up to 15 days for marriage
- Two days for a death in the family
- One to two days for moving
- Three to four days for illness of a family member

Additionally, pregnant employees in Spain may take **16 weeks of paid maternity leave**, using up to 10 weeks before the birth and at least six weeks afterward. After the paid leave is up, the employee may take an additional year of unpaid child care leave and be sure her old position will be available if she returns. She may also take a second leave of unpaid child care but will forgo the guaranteed position.

Fathers may also take paternity leave of up to 30 days and extend that term if complications occur during the birth.

In addition, both parents are entitled to paid leave following the child's birth. The breastfeeding or nursing leave consists of 15 working days until the child is nine months old, and may be taken in three possible ways:

- Absent for one hour a day
- Reduce working schedule
- 15 consecutive days off

Anti-discrimination Law and Restrictions

Spanish law expressly forbids discrimination in hiring and employment

— a company may not discriminate against job candidates for any of the following:

- Age
- Gender
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- Sexual orientation
- Marital status
- Social status
- Religion
- Political opinion
- Union membership
- Disability

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Additionally, if an employer has more than 50 employees, [2 percent](#) of those employees must be people with disabilities.

Part of Spain's efforts against discrimination includes restricting companies' ability to perform criminal background checks on job applicants. An employer may not check the Central Registry of Convicts to see whether a job candidate has a criminal record, though no law prohibits the candidate from disclosing that information voluntarily.

Cost of hiring an employee in Spain

Hiring a new employee in Spain comes with both up-front and [hidden costs](#). Here are a few of the factors you'll need to consider as you budget for your hiring process:

- Job advertisements
- Labor hours spent on applicant review and interviews
- Payroll
- Taxes
- Salaries

- Benefits
- Bonuses
- Insurance

Most Spanish employees get their core health insurance through the national health insurance program, but employers often provide supplemental health insurance. Most executives, for instance, receive supplementary health and life insurance from their employers.

The costs to hire employees in Spain are also likely to differ significantly by industry because of the various CBA requirements that apply in different sectors.

Hiring practices in Spain

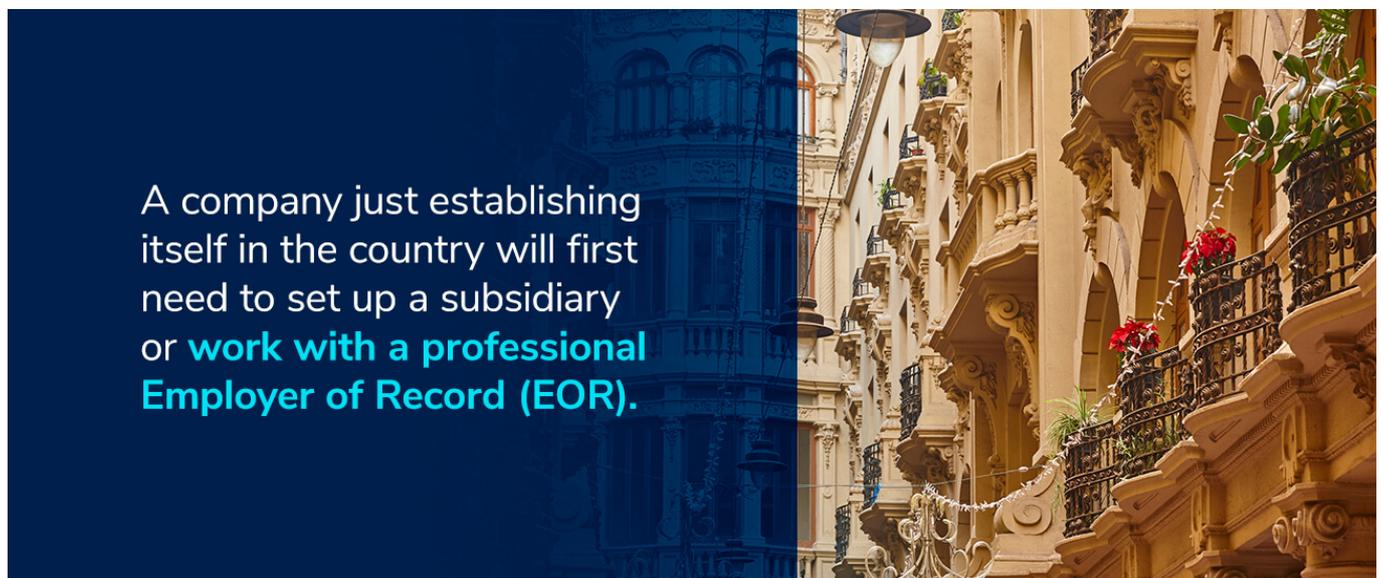
Hiring someone in Spain may be very similar to hiring a new employee in your native country. However, it's worth noting a few nuances to keep in mind:

- Using the local language and currency: Spanish is Spain's official language, and nearly **94 percent** of the population speaks Spanish. The next most common language is Catalan, with 15 percent of people speaking it as either a first or second language. Only about 11 percent of people speak English. Your company should use Spanish in its hiring communications. Committing to learning and using Spanish shows that your company values its new employees and wants to make them feel included. You should use euros in your contracts and offer letters for clarity and inclusiveness as well.
- Avoiding personal questions: To prevent the appearance of illegal discrimination, companies should generally avoid excessively personal queries in their job interviews. You will want to refrain from requesting personal information that is irrelevant to the job duties and asking interview questions that could lead to discrimination. Your company can ask any questions that are objective, reasonable, and applicable to the position.
- Focusing on building relationships: Spanish business alliances can be highly relationship-oriented. You'll want to spend time getting to know candidates before turning to business and be prepared for vibrant, animated conversations to flow as a natural part of business etiquette when your potential employees discuss work-related matters.

Important tips on how to hire in Spain

Here are some further steps to hiring in Spain that your company will want to consider:

- Double-check regulations: Spanish employment law is highly regulated, and minor missteps could be immensely costly. Check your work to make certain you've followed all applicable laws, or work with an EOR to ensure your company's compliance.
- Prepare for numerous applicants: Unemployment rates in Spain are relatively high. In 2013, unemployment in the country soared to **26.09 percent** and then fell steadily but modestly. 2020 saw an **unemployment rate of 15.7 percent** in the country, one of the highest rates in Europe. For this reason, your company may receive much higher numbers of job applicants than you expect and will need to develop strategies for handling these volumes.
- Take advantage of Spain's linguistic diversity: Larger cities in Spain are home to substantial communities of foreign nationals. If your work requires bilingual employees, you have a high chance of finding someone qualified.



What does a company need to hire employees in Spain?

Hiring new employees in Spain can be an involved, time-consuming process. A company just establishing itself in the country will first need to set up a subsidiary or work with a

professional employer organization (PEO), also known as an Employer of Record (EOR).

Setting up a subsidiary in Spain involves extensive time and effort — usually at least [six to eight weeks](#). You will need to incorporate as a specific type of company. Options include a joint venture, representative office, branch office, or corporation. You will also need to choose whether to incorporate as a private limited liability company or a public limited liability company and as an ordinary, simplified, or super-simplified regime. A business that sets up a subsidiary will need to take the following steps:

- Determine your company's structure.
- Choose your method of incorporation.
- Pay your minimum investment capital of 3,000 euros if you elect private limited liability.
- Obtain certification from the Mercantile Register.
- Obtain a provisional tax ID number (NIF).
- Open a Spanish bank account.
- Submit a declaration against money laundering and terrorist financing.
- Sign a public deed and have it notarized.
- Register with the Commercial Registry.
- Name three to 12 directors, who must file annual financial statements with the Mercantile Register.

Overall, you will need to invest substantial time and money into the process and maintain a comprehensive understanding of Spain's subsidiary laws.

A more appealing alternative, in many cases, is to work with an EOR. An EOR serves as the legal employer, handling the administrative work of hiring and onboarding, while you choose who works for you. It offers many legal and payroll experts who have exhaustive knowledge of Spanish business law so you don't have to worry about staying in compliance.

Hiring remote employees in Spain

One of the challenges of hiring employees internationally is that you may need to interview applicants remotely as business matters take you back and forth. Here are a few tips to help

you streamline and optimize the process:

- Offer flexible scheduling: If your parent company operates out of another European country, you may have a minor time difference to contend with. If your home country is farther away, you'll likely have a considerable time discrepancy to keep in mind. Your remote candidates will appreciate any flexibility you can offer in coordinating with their schedules.
- Prioritize verbal communications: Spanish business etiquette often prioritizes oral communications. Business partners frequently have extended discussions, make deals verbally, and only later use those initial discussions to draw up formal written contracts. When you're hiring remotely, written exchanges may seem more convenient than video interviews. To get the most value from your interviews, you may want to focus more of your energy on video calls where you can have sustained, fluid conversations instead.
- Prepare and coordinate: When you can't be present in Spain to greet a job candidate in person, making a strong digital impression becomes essential. A remote interview is a two-way street — your candidates assess your fit for their interests just as much as you evaluate their abilities and potential. Attention to steps like coordinating with co-interviewers, preparing questions in advance, and being familiar with your technology to avoid delays helps your company make an excellent first impression.