

Reading Time: 2 minutes

Spain is known for its vibrant culture and history, and it is also an excellent place to expand and work with a highly-qualified workforce. However, the labor market is regulated and favors employees instead of employers. You'll have to comply with multiple requirements for everything from setting up your payroll to hiring employees.

Instead of navigating the complex payroll setup process alone, Globalization Partners can help. We will hire employees on your behalf and add them to our existing payroll. We'll also take on all matters of compliance, so you can stay focused on growing your business.

Taxation Rules for Payroll in Spain

Companies in Spain are subject to various taxes at both the national and municipal levels, including corporate income tax, branch profit tax, and value-added tax (VAT). The corporate income tax rate is 25%, and the VAT rate is 21%. Businesses must also pay capital tax, transfer tax, real property tax, and other local government taxes.

Spain has a progressive income tax rate that increases as an employee's salary increases. Any income earned by non-residents is also subject to withholding tax (WHT) requirements. From 19% in dividends and interest to 24% in royalties, you'll need to watch for these laws that could impact non-residents on your team.

Spain Payroll Options

Any new company in Spain needs to set up an internal payroll or outsource. The four main payroll options in Spain include:

- **Remote:** In a remote payroll situation, you can add your Spanish employees to your established payroll with the parent company. This option is best suited for companies who only want to manage one payroll. However, your employees will be subject to different regulations surrounding payroll compliance, which could complicate the process.
- **Internal:** If you want to run your own payroll but do not want the confusion of having one unified system with different compliance regulations, you can choose internal payroll. This option will be more expensive because you will need to hire a full HR staff.
- **Spain payroll processing company:** Companies that want to outsource can do so through a local payroll processing company in Spain. However, you will still be held liable for any compliance mistakes.
- **Globalization Partners:** Globalization Partners will help you with both payroll outsourcing

and compliance. We'll handle all aspects of your payroll and take on the risk.

How to Set up Payroll in Spain

Before you can hire employees and run payroll, you must establish a subsidiary in Spain. Next, you'll need specific information from your employees such as their nationality, country of tax residence, national identity document, social security number, and more. Alternatively, you can choose a subsidiary alternative such as Globalization Partners to handle these aspects on your behalf.

Entitlement and Termination Terms

Labor laws in Spain are strict, and you will be legally required to write a strong employment contract before you hire an employee. It is best to put termination requirements in this contract as part of the terms of employment, even throughout the employee's probationary period. An employer and an employee can typically agree to terminate the contract if the employee isn't right for a specific role. The average severance payment is usually 33 days of salary per employment year.

Payroll Processing Company in Spain

The process of setting up payroll in Spain can be complex. Work with Globalization Partners to simplify the process and always stay compliant. Contact us today to learn more.

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