

## CATALONIA BACKGROUND INFORMATION [SERIES E / 2015 / 2.1 / EN] Date: 26/11/2015

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### FACTS AND FIGURES: BUSINESSES STAY PUT IN CATALONIA

#### Summary

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Several international media outlets picked up on an interview with Javier Vega de Seoane, the president of Círculo de Empresarios, in which he claimed that a thousand businesses had left Catalonia over the sovereignty debate. This figure comes from data provided by Axesor, a privately owned business, and is not an official statistic.

**There is no such thing as a business exodus from Catalonia —some businesses have moved their tax residences, but their operating units remain here.** Catalonia lost 987 tax-resident businesses in 2014, but Madrid lost 1,388. This figure represents a mere 0.38% of all businesses with employees in Catalonia, a percentage that rises to 0.66% in Madrid's case. This means **Madrid lost more businesses to other autonomous communities (ACs) than Catalonia in 2014, both in absolute and in relative terms.**

**Tax residence transfers** have much less to do with the sovereignty debate than with potential **tax competition from the Community of Madrid to which the Generalitat has no answer** due to the draconian financial constraints it has to bear. The case of Derby Hotels seems an example of a business leaving for tax reasons.

**Catalonia is attracting plenty of foreign investment, as shown by official data from the Spanish government itself. Gross productive foreign investment in Catalonia totalled 1.9592 billion euros in the first half of 2015, a 281.2% (×3.8) increase** compared with the same period in 2014 (515.2 million euros). **This is the highest figure for a first semester since official records began.**

**Although Catalonia receives high levels of foreign investment, the figures would look even better without the capital effect** (investment in Catalonia is assigned to Madrid if businesses have their registered offices there, as was the case of HP and Dow Chemical).

Catalonia remains **an attractive destination for foreign investment on the international scene**, as shown by the prestigious fDi Markets data service, which contains higher-value information: Catalonia has consistently been the top destination for job-creating investments in mainland Europe (2011 being the sole exception).

**Catalan exports continue to grow at a record-high pace**, proving that the Catalan business base is competitive. **We are still hitting record highs. Catalan exports grew by 6.3% in cumulative terms from January to September, 2015**, compared with the same period in 2014.

A rise in the creation of new businesses showcases Catalonia's business-friendly climate. A total of **14,078 companies were incorporated from January to September, 2015**, a **5.6% increase** on the same period last year.

**Catalonia has a vibrant economy**, clocking a growth rate of 1.5% in 2014.

## Introductory note

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The November 16, 2015, issue of the newspaper *El Mundo* featured an interview with Javier Vega de Seoane, the president of Círculo de Empresarios, in which he claimed: “[in Catalonia] there have already been some relocations, about a thousand companies left Catalonia in 2014 when the situation was more hypothetical and today it is more complicated. There is no doubt that this is putting a brake on projected investments.”<sup>1</sup>

International media outlets picked up on the interview.<sup>2</sup>

The **figure** given by Vega de Seoane in the interview, which caught the attention of the international media, was cited by some media outlets in July 2015 and **comes from Axesor**.

Axesor is a **Spanish** business risk rating **agency** with its headquarters in Granada and branches in Madrid and Barcelona. Therefore, **this figure is not an official statistic**.

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<sup>1</sup> Interview of Javier Vega Seoane in *El Mundo* (16/11/2015)  
[elmundo.es/espana/2015/11/16/5648e0b446163ffa348b45ba.html](http://elmundo.es/espana/2015/11/16/5648e0b446163ffa348b45ba.html)

<sup>2</sup> News pieces reporting on the interview with Javier Vega de Seoane or warning about businesses leaving due to the sovereignty debate.

[blogs.reuters.com/breakingviews/2015/11/13/barcelona-at-risk-of-being-the-montreal-of-spain/](http://blogs.reuters.com/breakingviews/2015/11/13/barcelona-at-risk-of-being-the-montreal-of-spain/)

[www.zeit.de/news/2015-11/16/spanien-verband-viele-firmen-verlassen-katalonien-wegen-bspaltungsplanen-16153605](http://www.zeit.de/news/2015-11/16/spanien-verband-viele-firmen-verlassen-katalonien-wegen-bspaltungsplanen-16153605)

[diapresse.com/home/wirtschaft/international/4868314](http://diapresse.com/home/wirtschaft/international/4868314)

[tempsreel.nouvelobs.com/en-direct/a-chaud/12287-afp-millier-entreprises-quitte-catalogne-tensions-ind.html](http://tempsreel.nouvelobs.com/en-direct/a-chaud/12287-afp-millier-entreprises-quitte-catalogne-tensions-ind.html)

[www.rfi.fr/economie/20151116-catalogne-velleites-independance-font-fuir-entreprises](http://www.rfi.fr/economie/20151116-catalogne-velleites-independance-font-fuir-entreprises)

[www.thelocal.es/20151116/business-leader-says-1000-firms-have-left-catalonia-over-separatist-drive](http://www.thelocal.es/20151116/business-leader-says-1000-firms-have-left-catalonia-over-separatist-drive)

Since Axesor does not publish this information in regular reports or on its website, it is thought to come from reports commissioned from Axesor.

## 1. There is no such thing as a business exodus from Catalonia — some businesses have moved their tax residences, but their operating units remain here

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The data published in various media outlets refer to transfers of tax residences, not operating units, painting a **false picture of businesses closing here** and moving there.

**Tax residence transfers take place in every AC.** Catalonia lost 987 tax-resident businesses in 2014, but Madrid lost 1,388. This figure represents a mere 0.38% of all businesses with employees in Catalonia, a percentage that rises to 0.66% in Madrid's case. **This means Madrid lost more businesses to other autonomous communities (ACs) than Catalonia in 2014, both in absolute and in relative terms.**

The number of businesses moving their tax residence away from Catalonia has long ranged from 700 to 1,000. Although high, the 2014 figure was in the vicinity of the 2009 figure (957 transfers). **No upward trend can be observed.**

**Businesses are also moving their registered offices from other Spanish regions to Catalonia.** Catalonia has a positive balance with most of them. In fact, **Catalonia is the second leading destination for tax residence transfers.** It has a negative balance with Madrid —like all other ACs. The two reasons behind this are the capital effect and the allure of a more attractive fiscal environment.

Therefore, **claims that Catalonia is facing a business exodus because of the sovereignty drive do not stand up to scrutiny.**

## 2. Tax residence transfers have much less to do with the sovereignty debate than with potential tax competition from the Community of Madrid to which the Generalitat has no answer due to the draconian financial constraints it has to bear

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Furthermore, as several blogs (e.g. gurusblog) have pointed out, the reason behind some of these decisions is not politics, **but unfair tax competition from the Community of Madrid.**

**Excerpt from the article “*El éxodo de 3.800 empresas de Cataluña ¿Miedo a la independencia o competencia fiscal desleal desde Madrid?*” (original in Spanish).<sup>3</sup>**

**“...The remaining doubt, which we are unable to clear up, is whether the exodus of businesses from Catalonia is exclusively attributable to fear of the independence drive (as the headline implies) or the fact that, in Spain, Madrid is some sort of tax haven for income and inheritance tax, which may be encouraging many businesspeople to move the headquarters of their companies to the capital to take advantage of a much lower personal tax rate.”**

Along the same line, in July 2015 the newspaper *El Economista*, which has linked tax residence transfers to the sovereignty drive, published an interview with Xavier Barata, the founder and managing director of King of App, a business from Lleida that moved to Madrid. He stated that the move was for tax reasons.<sup>4</sup>

The decision of Derby Hotels, a Catalan business, to move its headquarters to Madrid was recently made public. As acknowledged by the newspaper *La Vanguardia*, the move has nothing to do with the sovereignty drive and could be related to tax reasons.<sup>5</sup>

“Sources close to the hotelier suggested that fiscal issues may have been decisive. Moving the headquarters will not reduce their tax bill *per se* because corporate taxes are exactly the same in Catalonia and Madrid, as sources from the Generalitat and various tax advisers explained yesterday. The advantage could lie in lower rates on taxes levied on natural persons, such as inheritance, wealth and income tax, if he also transfers his residence, which he has not done so far.

Sources close to the group admitted that certain tax rates may have influenced the decision for a family business like Derby Hotels. However, a Derby spokesman made it clear that the move has nothing to do with the Catalan independence drive.”

### 3. Catalonia is attracting plenty of foreign investment, as shown by official data from the Spanish government itself

**Gross productive foreign investment in Catalonia totalled 1.9592 billion euros in the first half of 2015, a 281.2% (x3.8) increase compared with the same period in 2014 (515.2 million euros). This is a record high for a first semester.**

<sup>3</sup> Blog post [www.gurusblog.com/archives/3800-empresas-cataluna/28/07/2015/](http://www.gurusblog.com/archives/3800-empresas-cataluna/28/07/2015/)

<sup>4</sup> Article in *El Economista* (29-07-2015) [www.eleconomista.es/tecnologia/noticias/6903092/07/15/Nos-vinimos-a-Madrid-porque-la-fiscalidad-es-mejor.html#.Kku8APuvYJjelUN](http://www.eleconomista.es/tecnologia/noticias/6903092/07/15/Nos-vinimos-a-Madrid-porque-la-fiscalidad-es-mejor.html#.Kku8APuvYJjelUN)

<sup>5</sup> Original article in *La Vanguardia* (20-11-2015) [www.lavanguardia.com/economia/20151120/30274214326/derby-hotels-madrid.html](http://www.lavanguardia.com/economia/20151120/30274214326/derby-hotels-madrid.html)

☑ Catalonia attracted 23.0% of foreign investment in Spain in the first half of 2015.

Note: FI grew by 73.4% in Spain as a whole and 49.2% in Spain excluding Catalonia.

Note: Gross productive foreign investment in **Madrid** during the first half of 2015 totalled 5.5848 billion euros, a **61.1% increase** compared with the same period last year.

Catalonia received gross productive foreign investment from over 80 countries (87) during the first half of the year. The **main investors are Luxembourg (18.7%), Germany (14.8%), Mexico (9.9%), Ireland (9.1%) and the United Kingdom (9.1%).**

#### Top 25 countries investing in Catalonia in the first half of 2015

	Country	Investment (thousands of euros)	Share
1	Luxembourg	365,437.7	18.7%
2	Germany	290,209.2	14.8%
3	Mexico	193,591.7	9.9%
4	Ireland	178,617.8	9.1%
5	United Kingdom	177,491.6	9.1%
6	Netherlands	135,340.5	6.9%
7	Switzerland	117,581.8	6.0%
8	United Arab Emirates	111,712.0	5.7%
9	United States	87,934.0	4.5%
10	Brazil	52,703.0	2.7%
11	France	38,524.7	2.0%
12	Malta	38,321.9	2.0%
13	Norway	24,748.5	1.3%
14	Japan	20,510.0	1.0%
15	Andorra	18,561.1	0.9%
16	Costa Rica	13,686.9	0.7%
17	Italy	10,357.5	0.5%
18	Israel	9,052.0	0.5%
19	China	7,025.9	0.4%
20	Cyprus	6,227.6	0.3%
21	Russia	4,782.2	0.2%
22	Belgium	4,518.4	0.2%
23	Singapore	3,563.5	0.2%
24	Sweden	3,471.6	0.2%
25	Nigeria	3,192.42	0.2%
	Rest of the world	42,033.82	2.1%
	<b>Total</b>	<b>1,959,197.2</b>	<b>100%</b>

**The high rate of growth should not obscure the fact that actual data for Catalonia are higher than those in official records for all historical series**

This is due, on one hand, to accounting differences:

- they do not include the **reinvestment** of resources generated by subsidiaries;
- they do not include **investments under 10%** of capital;

and, on the other hand, to allocations and biases:

- a **capital effect** under which investments whose destination is not stated clearly on the form are allocated to the company's registered offices. Investments in Catalonia are attributed to Madrid if that is where the registered offices are located: **for example**, Dow Chemical's €15 mn investment in a new plant in Tarragona and HP's €20 mn investment Sant Cugat to centralise its global 3D tech development centre in Catalonia. The restructuring of the financial sector has only amplified this effect. The Community of Madrid generates 19% of the national GDP and is home to 64% of business headquarters, whereas Catalonia generates 20% of the national GDP but hosts a mere 17% of business headquarters.
- the amount of **unallocated investment (equivalent to 35% of foreign investment in Q3 2014)**; and
- **"round-trip" investments** from within Spain.

**For all these reasons, drawing upon alternative prestigious sources adds value and provides a more accurate snapshot of foreign investment.**

#### **4. Catalonia remains an attractive destination for foreign investment on the international scene, as shown by the prestigious fDi Markets data service, which contains higher-value information**

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For example, the *Financial Times* service fDi Markets allocates investments to the place where they are made instead of the registered office. Furthermore, its international scope makes it possible to compare the actual appeal of different regions.

These alternative sources place Catalonia among Europe's top destinations for foreign investment. For example, both of them rank Catalonia as the region of mainland Europe that created the greatest amount of jobs through foreign investment in 2014.

This strong position consolidates the trend of previous years. Data from fDi Markets show Catalonia remained the top destination for job-creating

investments in mainland Europe throughout the 2010–2014 period, with the sole exception of 2011.

The positive trend continues in 2015. According to data from fDi Markets, an international database from the prestigious British newspaper *Financial Times*, Catalonia attracted more investments than any other region in mainland Western Europe from January to September, 2015, both in terms of total investment and in terms of job creation.

Catalonia attracted 55 investment projects from January to September, 2015, totalling 3.006 billion euros and 5,400 new direct jobs.

#### Catalonia in the 2015 foreign investment ranking (January–September)

	Region	Number of projects	Sum invested (millions of euros)	Jobs
1	South East (UK)	294	8,536.5	14,772
2	Ireland	129	3,245.0	7,844
3	Scotland	71	1,183.9	5,765
4	Catalonia	55	3,006.5	5,440
5	West Midlands (UK)	49	1,757.5	5,123
6	North West (UK)	57	1,820.1	4,508
7	West-Nederland	73	2,024.7	3,998
8	East Midlands (UK)	30	2,058.6	3,633
	<b>Total</b>	<b>758</b>	<b>23,633</b>	<b>51,083</b>

*Compiled by the authors based on data from fDi Markets. Ranked by number of jobs created.*

## 5. Catalan exports continue to grow at a record-high pace, proving that the Catalan business base is competitive

Catalonia ended **2014** on a high note, smashing its **foreign sales record for the fourth year straight** and **breaking the 60 billion euro barrier** for the first time.

Catalan exports **grew by 3.1% year-on-year** in 2014, making it the **fourth fastest-growing economy in the eurozone**.

**We are still hitting record highs.** Catalan exports **grew by 6.3% in cumulative terms from January to September, 2015**, compared with the same period in 2014, totalling 47.5666 billion euros.

In cumulative terms, **Catalan exports represented 25.5% of the total for Spain from January to September, 2015.**

## 6. A rise in the creation of new businesses showcases Catalonia's business-friendly climate

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A total of **14,078 companies** were incorporated from January to September, **2015**, a **5.6% increase** on the same period last year.

A total of **1,924 companies** were wound up from January to September, **2015**, a **0.3% increase** on the same period last year.

## 7. Catalonia has a vibrant economy

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Catalonia clocked a growth rate of 1.5% in 2014.

**The positive trend continued in the first two quarters of 2015**, with year-on-year growth of 2.6% and 3.0% in Q1 and Q2, respectively.

Catalonia is **Spain's biggest community by share of GDP**, with 20% of the total, **punching above its demographic weight** (16% of the population).