

# GOVERNMENT THREATENING A YEAR OF NON-STOP REFORMS

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## **Up to 43 proposals could be introduced in Spain this year, but lawyers fear is that this may hinder, rather than encourage economic growth.**

To encourage investment and get the financial engine behind its economy powering again, the Spanish Government proposes a wave of further reforms. Prime Minister Mariano Rajoy states that 43 economic and social programmes are on the horizon, likely to involve the reshaping of the public sector as well as further labour reforms.

Among them is the Entrepreneurs Act, the concept of which would be to provide businesses with tax incentives to undertake new initiatives and hire new staff. It was unveiled during the 2011 general election, and despite not materialising in the last two years, is due to be unwrapped again this year – albeit to some doubters.

“The macro-economics have been focused on maximising tax income to comply with EU provisions hence cutting the annual public deficit to the magic three percent figure by 2015 or so,” says Eduardo Gracia, Managing Partner of Ashurst in Spain. “The ability to offer the sort of incentives

under The Entrepreneurs Act will be minimal if not nil."

Perhaps the most pressing reform is the development of a new commercial code, which is expected to result in over 1,500 changes to existing regulations. It will look at solving issues in a number of sectors where regulation needs improvement, including distribution, electronic communications and tourism.

The proposed new Code would also complement the proposed single market law of unity, which irons out discrepancies across regional business laws, with the intention of making it easier for investors, foreign and domestic, to do business in Spain.

With lawyers saying there is renewed appetite from foreign investors, especially distressed funds, in Spain that has been largely absent over the past few years, the belief is that a harmonious and simplified commercial environment would encourage further investment.

Central to the Government's proposals is creating a more fluid business environment and improving market regulation. Amongst the plans is a new independent tax authority charged with overseeing the government budgets, and a centralised regulator covering market, energy and competition matters.

Alongside this are tougher fiscal measures intended to curb spending. These include a new 20 percent levy tax on lottery wins in excess of €2,500 euros, a modest one percent increase in pensions and getting rid of the link between the consumer price index and the country's energy tariffs.

There has already been scepticism from the market over the various reforms, which some fear could hinder growth, say lawyers. A number of investors have already been reported to be in the process of initiating legal action over the recent renewable energy tariff reforms, which has generated a spike in legal activity in the sector and added to the rise in litigation. Likewise any major reforms in tax will likely generate a great deal of activity in the months to come.

Even so, the pace and spread of the reforms coupled with a lack of information has given rise to an air of uncertainty, say lawyers. There still needs to be a clearer idea of what the reforms will mean in a business reality.

"There have been so many pieces of new law in 2012 that it is still difficult to know what the exact details are," adds Gracia. "Looking ahead, the Government is planning even more reforms but we do not know how they will work in practice and how the public institutions will interpret the laws."

For lawyers, they say, it is proving to be an interesting time as they attempt to digest all the proposals and keep up-to-date, whilst prepare their clients for any potential changes on the horizon. According to the Government, there could be dozens more laws brought to the statute books this year, covering tax, regional spending, the courts, commercial and criminal codes and professional rules.

So as the Government continues to reposition the country by restructuring its legal, political and economic functionality, the legal community watches on in anticipation of changing times ahead.