

**Susana Serrano-Davey ACA, of Rose & Clavel Anglo-Spanish Chartered Accountants, Marbella, offers advice on running a profitable business through keeping tabs on cash flow.**

A good understanding of cash flow is a key element of successfully running a business. However, many entrepreneurs fail to understand some basic concepts, particularly if they have not had financial training. Cash flow is the lifeblood of your business and, as such, understanding it well may help you manage your business more effectively. Here are some key elements to understand and control:

### Working capital

The resources that a business needs to allow it to meet its operational demands for cash. These resources allow the business to meet its obligation towards creditors and fund operational costs whilst waiting for payment to be collected from clients. If this working capital is not positive, the business will simply be unable to operate. Your current assets (stock, debtors and cash) should always exceed your current liabilities (trade creditors and other short term obligations). Maintaining the correct balance in your current assets and liabilities will invariably lead to a healthy business. This will sometimes require an external injection of funds.

### Profit ≠ Cash

Businesses need to generate both profits and positive cash flows to survive. Profit alone is not enough to allow the business to thrive. In fact, profitable businesses can go bankrupt if they fail to satisfy their cash needs.

It is not uncommon for entrepreneurs to express surprise when they see a profit on the bottom line, yet they cannot afford to pay the tax bill that will arise from such a result. How is it possible, where has the money gone? Profit may not be available for distribution as it may be trapped in areas such as stock, debts or decreasing credits.

### Debtors

Effective collection of debts should be one of the prime objectives of your business; there is no point in increasing your sales if the business is failing to collect payments. Furthermore, if your business has a high level of debtors, you may well find difficulties when the time comes to make the quarterly VAT and tax payments. The credit terms you offer your clients will depend on both your industry and your business style. However, to speed up your debt collection you can:

- ▶ Formalise the credit terms of your company. The more standard your terms, the easier it will be to manage debtors
- ▶ Clarify your credit terms when the order is placed or the services are agreed
- ▶ Consider the need to request payments on account in advance, either partially or totally
- ▶ Use a direct debit system
- ▶ Ensure you have an effective internal control system to keep track of debtor balances
- ▶ Use alternative documents to request payments prior to issuing your invoices (delivery notes, statements of account, purchase orders). Remember that as soon as you issue your invoice, the transaction has been formalised from a tax point of view so the VAT will be payable and the profit recognised
- ▶ Stick to your terms. Don't be embarrassed to request payment when due. Formalise a standard system of reminders which is professional yet polite

### Stock

Stock can consist of goods, for manufacturing or retail companies, or work in progress for service businesses. In either case, the amount of stock should be kept to a minimum to reduce the amount of resources tied up in this business element.

### Forecasts

If you are able to anticipate the cash needs of your business, you will be able to take the necessary steps in advance to meet those needs. Therefore you should:

- ▶ Be aware of your average monthly income and expenditure and your ad-hoc and annual costs
- ▶ Make the time to set forecasts, either yearly or every six months
- ▶ Monitor progress in relation to your forecasts
- ▶ React in advance to needs. Don't wait until you run out of cash

Being able to manage your cash flow as well as create profits will put your business on track for a successful future. As you can see, there are many ways to free-up cash and simply being aware of this important factor will help you to keep it in check. It's always a good idea to seek professional help if you have any doubts about managing the financial side of your business. This will allow you to concentrate on running the business and generating profits.

**i** Rose & Clavel provides high-quality, professional and reliable accountancy services and innovative business solutions for English and Spanish speaking clients who expect the very best. This Marbella company offers a free personal Accountancy Clinic to anyone who wants a review of their accounts and advice, or suggestions on any matters which need to be addressed. Tel: 952 815 365  
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# Cash Flow is Key





**BUSINESS SEMINAR  
BY ROSE & CLAVEL CHARTERED ACCOUNTANTS**

Rose & Clavel Chartered Accountants recently ran an informative seminar entitled *Cultivating Your Business*, a two-hour presentation offering information on how to run a business for predictable results and profit. Practical advice was offered on several topics, including management of accounts, good house-keeping, employment law, tax deadlines and debt collection. The seminar was presented by Susana Serrano-Davay A.C.A., Founder and Director of Rose & Clavel Chartered Accountants, a Spanish national who is also a UK-registered Chartered Accountant and who boasts experience at prestigious firms including PriceWaterhouseCoopers UK. Susana told the press, "The seminar programme has been very well received by local companies hungry to learn the best ways to do business and be successful. The key is to be informed and understand the climate that you are operating in. The next seminar will be on the subject of self-employment and is scheduled for May and everyone is welcome." \* **Centro Plaza, Ofic. 1F, Nueva Andalucía. Tel: 952 815 365. [www.roseandclavel.com](http://www.roseandclavel.com)**

# Essential Magazine - Enterprise Section

February 2010



## 'NURTURING YOUR BUSINESS' SEMINARS BY ROSE & CLAVEL

Rose & Clavel Chartered Accountants will be running a series of three seminars themed on Nurturing your Business, aimed at helping businesses gain a better understanding of Spanish business practices and improving their profits. The first seminar, which will take place at the Rose & Clavel offices on February 2nd, will cover a variety of important topics including the importance of market research on competition, issues with starting a business as an SL company and how to ensure that numbers stack up in terms of costs, overheads, profit margins and required volume. The other two seminars will be held further into the year.

**i** Centro Plaza, Oficina 1F, Nueva Andalucía, Marbella.  
Tel: 952 815 365. [www.roseandclavel.com](http://www.roseandclavel.com)

## News Business

Susana Serrano-Davey A.C.A Accountant

## “I have understanding and empathy with the expat community”

In a competitive, challenging economy, understanding your accounts is crucial

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 ANDREW FORBES
 

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Susana Serrano-Davey is a Chartered Accountant and director and founder of Rose and Clavel accountancy practice in Marbella.

**What is the significance of your company name?**

We wanted a name that would describe our corporate identity. Given that I am a Spanish national but spent many years in the UK, I identify both with the Spanish and British cultures, Rose and Clavel represents this: the quintessentially English 'White Rose' and the typically Spanish 'Red Clavel (carnation).'



## Teaching business the skills to cultivate success

The 'Nurturing your business' seminar series continues in Marbella

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 ANDREW FORBES
 

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Small business start-ups are recognised as being crucial to economic recovery worldwide, and with growing insecurity in the job market more people are deciding to take the chance and go it alone. What's more, with governments across Europe, as in Spain, delaying state retirement ages, the age group of would-be business tycoons is widening, proving it is never too late to turn your passion into profit.

Rose & Clavel, Chartered Accountants certainly believe so and last week unveiled the latest in its 'Nurture Your Business' seminar programme, with



seminars have given me the answers I need as well as an understanding of how the system works here in Spain. Although I'm not a client of Rose and Clavel, I never feel pressured to use them as a firm which is refreshing; the training programme is designed to inform,

the foreign resident market come from?

I was born and raised in Spain, but when I was 21 I went to live in England to follow the man of my dreams! I spent the next ten years of my life obtaining a University Degree, qualifying and working as a Chartered accountant as well as getting married and having children. Hence my understanding and empathy with the expat community.

**What surprises you most about business here on the Costa del Sol?**

How hard it is! This is undoubtedly one of the most competitive markets I have ever come across and although it offers plenty of opportunities it must also be approached with great care. It surprises me to see how many people venture into business here without proper research and knowledge of the Spanish system, language or culture.

**What your customer profile?**

**SUSANA SERRANO-DAVEY. AT HOME IN MARBELLA. SDD**

Most of our clients are British expats or UK companies who do business here. We also have clients from Ireland, Holland, Denmark; and Spain of course. I think that they like us not just because we speak English fluently but because of our way of doing business.

**What is your background in accountancy?**

I did a BA honours degree in 'Accountancy and Management Control' at Sheffield Hallam University followed by training as a Chartered Accountant with Pricewaterhousecoopers in Sheffield. When I arrived in Spain I worked as an accountant with a quality Spanish practice for another two years.

**How many years has your business**

**been on the coast?**

We will celebrate our third anniversary in May this year. We have been very fortunate to build a solid business with an excellent team of people, particularly considering we started just as the recession began.

**What's your view on the future of the economy here on the coast?**

I am very optimistic about the future. Undoubtedly, we still have tough times ahead and profound changes in the Spanish system will be necessary. However we are very fortunate to live and do business in a beautiful place with excellent infrastructure and an enviable climate. I believe that we will be the first to see signs of recovery.

two hour interactive workshop for business owners.

"If business owners don't understand the financial basis of their businesses, they can understand how it's performing. Without the true picture, leaders cannot make informed decisions or take educated risks," confirmed Susana Serrano-Davey, Founder and Director of Rose & Clavel.

Lyle Pewsey, architecture and interior design expert, has attended both of the recent seminars in Nurture programme and commented, "They've been really informative. I have an S.L. company and I continue to be surprised and annoyed by the debits made by the tax office from my account.

Despite using a large, well respected accountancy firm, only a basic projection of taxation and staff costs are given to me; never the full picture. These

Having taken the herculean step of starting a new business, and survived despite the challenges of the present economy, local entrepreneurs were given the opportunity at the seminar to learn the skills to cultivate their business for the future harvesting of profits.

"I'm here to learn as much as I can," confirmed Susana Ramonda, of Utopia Consulting. "The knowledge gives me more confidence".

The strategic areas addressed in the short course included; the importance of management accounts for controlling your business; how good housekeeping is key for business-efficiency; employment law; the dangers of missing tax deadlines; and advice on how to speed up debt-collection and improve cash-flow.

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25 years serving the expat community in southern Spain



Thu, 25 March 2010

## Ask the Expert

Select a Category: Tax

Select an expert to answer your question (click on one):



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Susana Serrano-Davey ✓

### Topic: Tax



**Name:** Susana Serrano-Davey

**Company:** Rose & Clavel Chartered Accountants

**Title:** Founder / Director

**Personal Info:** Susana Serrano-Davey, ACA, is a UK qualified Chartered Accountant and Spanish National who has lived and worked in the UK for ten years. She is now the Founder and Director of Rose & Clavel, Anglo-Spanish

Chartered Accountants based in Nueva Andalucia, Marbella, which is setting the standard for accountancy on the Costa del Sol.

Latest questions answered by Susana Serrano-Davey:



this query is not 100% related to tax. I've been in Spain for 4 months. I rent my house and I don't work. I brought my car with me from UK but will not be importing it so will want to buy a Spanish one. However, I can't do this without an NIE number and from what I've read, I don't seem to qualify on the grounds of buying a property or having an employer. I do intend to work eventually but not for a couple of years. Can you help please.

Read Answer by **Lewis** on 19th March 2010



Hello, my brother has passed away and left me a property in valencia would i be liable for any tax? I have been told that if you do not claim the property for 5 years then you do not have to pay tax.

Read Answer by **james devine** on 11th March 2010

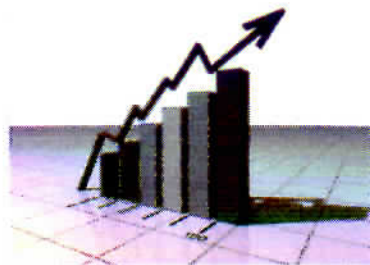
# Andalucia Travel Guide

Marbella, Puerto Banus, Sevilla, Granada, Malaga, Huelva, Jaen, Cadiz, Almeria, Cordoba

## 12 Working in Andalucia, Spain

**FEB** Posted by viking as [About Andalucia](#), [Living in Andalucia](#)

If you fall in love with Andalucia and want to base yourself in the area, but still need to make a living, what options are available to you?



If you speak several languages you could look into the large and successful tourism sector, or look into the opportunities in the Spanish sector. However, if you live on the Costa del Sol there are also many opportunities within the expat sector even if you don't speak Spanish. There are always sales jobs available if this is your sector. To take a look at the job opportunities, you can sign up with employment agencies which cover Southern Spain and Gibraltar, or look at

the popular classified section in the Sur in English newspaper. Please note, Spain has been hit hard by the recession and so jobs are hard to find also wages are lower than in countries such as the UK and Ireland. However Spain has been rated second highest in terms of the quality of life, so you have to make a decision what would work best for you.

Many people come over to Andalucia to set up their own business from bars and cafes to marketing and property companies. There is support for new businesses from CADE which is supported by the Andalucian Commission for Innovation and Development. They can help you with your business plans, guide you through the grants available and advise you whether your idea would work in the area. [www.andaluciaprende.es](http://www.andaluciaprende.es)

If you are looking for more guidance on starting or growing a business, Rose & Clavel Chartered Accountants will be running a series of three seminars themed around the subject of "Nurturing your Business". These seminars are being organised to help business people gain a better understanding of Spanish business practices and make their companies more successful.

The first seminar tackles the important topic of Starting a Business and covers the key steps any entrepreneur should take when venturing into business in Spain. This was held in February, but will be repeated later in the year.

The key points to be covered are:

1. The importance of conducting thorough market research on your competition, target market and relevant Spanish law before starting a business
2. How to ensure that the numbers stack up in terms of set up costs, overheads, profit margin and volume required to be a viable business
3. An overview of the compliance system in Spain and the issues which often trouble new businesses, e.g. employment law
4. The issues with starting a business as an SL company
5. The funding required to see you through the first few years of business
6. Why it is important to consider your exit strategy before starting the business

The second seminar will be held on Tuesday 2nd March entitled "Cultivating Your Business". This two-hour presentation will contain practical, useful information on running and managing a business for predictable results and profit.

Cultivating Your Business will be an interesting, interactive seminar, avoiding technical jargon and illustrated with case studies. It will cover several important subjects which every business should understand, including:

- The importance of management accounts for controlling your business
- Why good housekeeping is key for business-efficiency
- The ins and outs of employment law
- The dangers of missing tax deadlines
- How to speed up debt-collection and improve cash-flow

The final seminar is entitled "Pruning and Re-potting" and will deal with the issue of management accounts and why a good understanding of these accounts can be a life-saver in weathering the economic storm.

All these seminars will be presented by Susana Serrano-Davey A.C.A, Founder and Director of Rose & Clavel Chartered Accountants. She is a Spanish national who is also a U.K. registered Chartered Accountant and has worked with prestigious firms including PriceWaterhouseCoopers UK. This has given her the understanding of both the Spanish and English systems. Susana is excellent at explaining complex issues in plain English and using practical examples to help business-people get to grips with their compliance responsibilities and learn how to manage their financial affairs more productively.

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Watch Out, The Spanish Tax Man Is Behind You!

Taxes in Spain

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It is no surprise to anyone that the economic climate has had a terrible effect on the amount of revenue collected by our government via the different taxes.

Our economy is suffering as unemployment continues to rise and businesses struggle to make ends meet. VAT is going up in July.

The good news for small companies is that provided you maintain your staff you can benefit from reductions in corporation tax. However, be warned as the government struggles to make ends meet, we are going to be subjected to both more compliance obligations with regards to reporting and an increase in the amount of tax enquiries.

To top it all, the inspectors now have increased pressure by means of potential pay reductions should they fail to achieve the government targets for revenue collection.

Last year the Government started a fiscal reform with the underlying intention of tackling tax fraud. There have been many different measures but in particular this has meant that businesses, and us poor accountants have to comply with yet more informative tax returns to allow the tax office to identify and target tax evaders.

Traditional methods of identifying potential tax irregularities

Many of you may be familiar with the annual Modelo 347, where businesses have to disclose to the tax office the total annual volume of transactions with certain clients and suppliers.

Of course what the tax office does is, for instance, to compare what you declare about your suppliers with what they declared that they sold to you, hence potentially catching fraudsters that are falling short of their VAT and business profits tax.

In an ideal world this seems quite reasonable. However in practice this methodology can lead to innocent tax payers suffering the brunt of the government's rage even when they did not do anything wrong.

In my own experience, in 2008 when I was requesting a certificate from the tax office to apply for some grants, it surfaced that my file was on record for a potential enquiry for under-declaring my business turnover by 80,000. Luckily in my case, because I was alerted of the problem very early on, I was able to relatively quickly and inexpensively resolve the situation.

In fact I had done absolutely no such thing. The problem was that another tax payer, or should I say their accountant, had wrongly included my company's CIF number on their return instead of their main supplier's CIF number.

Had I not noticed the problem before the dreaded tax office letter arrived, I would have one day out of the blue received a VAT enquiry requesting that I immediately pay around 13,000. Together with the fines for non compliance for eye watering amounts.

Later of course a similar bill would have arrived for unpaid corporation tax.

The lesson to be learned from this is that the tax office usually starts tax enquiries as a result of data being submitted to tax returns which is not consistent with expectations.

For example:

- You may declare different trading totals to your clients and suppliers
The total staff costs declared in your corporation tax return is not the same as the total amounts declared via the PAYE returns

Businesses sometimes declare the same data in a number of different ways therefore it is essential that such data is consistent across the different returns. This is not always the case and it is quite easy to report data which does not



### International transactions can lead to headaches if not reported properly

Unfortunately, even if you think you are ok, you may be vulnerable to this risk. If you are dealing with international transactions it is actually very important that you follow the correct procedures when accounting for and reporting on your business transactions.

When you are trading within the EU make sure you familiarize yourself with the implications.

Let's consider some examples: [Foreign Exchange](#) | [Cheap Car Hire](#) | [Spain Insurance](#) | [Spain Uncut](#) | [Advertise](#)

If you are selling goods within the EU you should always check that your client is registered in the VIES before making a supply without VAT.

If you are acquiring goods you should apply to be registered in this database before making purchases in Europe and when you do you must take care of those invoices as merely reporting them late could lead to considerable fines.

If you are acquiring services from a supplier from country without a double taxation treaty with Spain, especially a tax haven such as Gibraltar, you need to be careful on two fronts:

- The burden of proof with regards to the tax allowability of the expense rests on you as the tax payer and in an inspection you may need to provide additional proof to support the expense
- You should withhold tax from your supplier's invoice at the rate of 24% and then pay that amount over to the tax office on behalf of the foreign company as a Spanish corporation tax charge

Many people are not aware of these rules and potential problems, and unless you take care with these items you could be the one facing the penalties.

### Recent developments to assist the tax office's fight against tax evaders

It is no surprise that the black economy was mainly fueled by the use of cash rather than using say cheques or transfers for the movement of funds.

At the moment, every time someone deposits more than 3,000€ worth of notes in a bank account the bank actually reports the transaction to the relevant body thus it has become very easy for the tax office to identify tax payers that deal with large amounts of cash.

Furthermore, there is now a new disclosure tax return in place for banks whereby they need to report the total collections by credit and debit card machines into a particular bank account. This is actually vital information as they are effectively receiving a glimpse of your turnover and of course there will be expectations about what additional sales your type of business should have in cash thus building a clear picture of what the totals declared in your returns should be.

We do recommend that you avoid dealing with cash as a matter of habit. Many businesses have traditionally dealt in cash but in fact if these people sit down and work out the numbers, by doing this they may not be as well off as they thought.

It is clear that the risk of being caught is growing every day therefore it may be a good time to re-think your business strategy and adapt to these changes.

### Watch out those of you trading here under UK address

There have been recent changes in VAT legislation which will change the way in which we apply VAT to services rendered within the European Union and furthermore the way in which we report these types of transactions to the tax office.

Up until December 2009 only companies exchanging goods within Europe were obliged to file a return called 349. In this return we used to declare clients and suppliers within Europe. Similar to what the tax office achieves with modelo 347 but for European instead of national transactions.

As from January 2010 we now need to include in this modelo for services as well, not just purchase of goods. Consequently the potential for identifying service providers throughout Europe not following legislation appropriately is considerable.

I recently received an invoice from a new supplier who did some work for us, without VAT and with a UK address on it. The service was actually rendered in here in Spain to my Spanish company. I almost felt like refusing to pay as in the event of an inspection I would be the one having to prove that this is indeed a tax allowable expense and that this supplier is properly registered. However, after some consideration I decided not to make a fuss and just not use that supplier again. The ability to carry out business in Spain by avoiding the Spanish system will be considerably reduced over the coming months as more and more businesses find increased compliance obligations with regards to this type of transaction.

### Impact on our businesses

I am not suggesting that only businesses that don't declare everything will get in to trouble, quite the opposite, unfortunately these "fishing nets" that the tax office has put into place affect all of us in a number of ways.

Unfortunately, the bureaucracy and minimum compliance obligations continue to rise which inevitably lead to further costs for companies just to keep up with the system.

The most effective way to ensure you do not have these fines is to ensure that your tax returns are correct, and for this you will need not just a good accountant but also internal organization and controls.

### Other potential sources of exorbitant fines

Filing poor tax returns is not the only way you can be fined quite heavily in Spain. There are other areas which are sometimes overlooked that can lead to crippling fines.

For example, Spain has one of the most comprehensive and hard legislation with regards to data protection in Europe. If during the course of your business you maintain a database with sensitive information, you are obliged to register both your business and the databases you use within it with the Spanish Data Protection Agency.

Many businesses in Spain do not comply with these regulations, partly because they are unaware of this need and partly because it is just one more hurdle in the long list of things to comply with here.

Bear in mind that there are inspections in place to catch people who are not complying with data protection and the fines can be very high indeed from just a few hundred euros to many thousands depending on the nature of your business.

Once again we tried to give you an overview of the key ideas to bear in mind to help you avoid unnecessary and potentially considerable fines. Ultimately when it comes to business survival every little counts and sometimes, cutting a few corners here and there can actually lead to greater problems in the long term.

My advice to you is don't take any chances and don't compromise, just make sure all of the items covered are properly