Hogan Lovells

Around Europe: The Private Equity Market

Spain

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Contents

Around Europe: the private equity market in Spain

1. Introduction and general overview of the Spanish private equity market

2014 has been a turning point for the recovery of the Spanish Private Equity ("**PE**") market. Spain has recovered its long-lost dynamism and has finally been able to offer appropriate macroeconomic conditions and decent investment, fundraising and divestment volumes to international investors, which have been involved in most of the large deals closed during 2014.

While the volume of transactions still remains low, 2014 has probably meant the beginning of a new cycle which should continue during 2015, thanks, on the one hand, to the interest from international investors in the Spanish market and, on the other, to the greater availability of funds for national investors.

In this sense, following a period of difficulty, Spanish companies and PE entities are now eager to grow and invest and have called, during 2014, funds equivalent to almost EUR 1.7bn.

In a nutshell: funds obtained decent returns, investments grew and transactions reached levels comparable to those recorded prior to the financial crisis in which Spain has been immersed for the past six years.

2. Key transactions in Spain during financial year 2014

Blackstone and N+1 Mercapital sell Mivisa for EUR 1.2bn

Blackstone and N+1 Mercapital sold tinplate packaging manufacturer Mivisa to Crown Holdings in a EUR 1.2bn transaction.

Crown Holdings originally circled the asset in 2011, when it was under CVC's ownership, but the business was eventually sold to Blackstone and N+1.

Crown Holdings is a NYSE-listed company that operates in the design, manufacture and sale of consumer goods packaging. The buyer intends to expand its presence in Spain and the wider European market with the acquisition.

The Hogan Lovells Madrid office was involved in providing legal advice to the management team in both the sale by CVC to Blackstone and N+1 Mercapital and the subsequent sale by them to Crown Holdings.

CVC acquires 18% of the share capital of Deoleo in the company's takeover and reaches a stake of 48% in the company

Following its acquisition some months ago of 29.99% of Deoleo's share capital for EUR 131.2m, CVC has increased its stake in the company, through its portfolio company Ole Investments, to 48.09%. CVC acquired 18.1% of Deoleo's share capital in the takeover of the company which closed on 23 December 2014.

CVC decided to improve the offer for Deoleo to EUR 0.395 per share (from an initial EUR 0.38 per share), following recommendations issued by the Spanish stock exchange authorities (the *Comisión Nacional del Mercado de Valores* or "***CNMV***") and the decision of international funds not to participate in the takeover.

The takeover was finally comprised of 208.96m shares in Deoleo, representing a total of 25.85% of the takeover and 18.1% of Deoleo's total share capital, for which CVC paid an aggregate sum of EUR 82.5m.

The block of shares acquired is free-float, since the remaining shareholders of Deoleo i.e. Unicaja (10.06%), Kutxabank (4.84%), Caixabank (5.28%) and the minority shareholder Daniel Klein (2.95%), did not participate in the takeover and, consequently, still hold their 23.13% stake in the company.

The Hogan Lovells Madrid office was involved in providing legal assistance to one of the bidders in the sale auction.

CVC sells Zena Group to the Mexican Alsea and to Alia Capital Partners for approximately EUR 270m

Following a very competitive bidding process in which the Hogan Lovells Madrid office advised one of the involved bidders, CVC agreed the sale of Zena Group to a consortium of companies formed by Alsea - the leading fast-food Mexican group- and the Spanish PE entity Alia Capital Partners.

The transaction was valued at approximately EUR 270m, meaning an equity value of 7.9 times EBITDA. Out of the total figure, EUR 115m corresponds to the group's debt, due in 2015 and which the purchasers wish to refinance. CVC's divestment has meant a capital gain of around EUR 177m.

Alsea acquired 71.16% of Zena Group by means of the investment of more than EUR 100m and Alia Capital Partners has retained the remaining 28.24% - Alia invested in Zena Group in 2001 together with CVC.

The merger of IDC Salud and Quirón creates the biggest private hospital group in Spain

IDC Salud medical health group and Grup Hospitalari Quirón created the largest private hospital group and leading provider of health services in Spain after CVC acquired 61% of IDC from Doughty Hanson.

CVC is now the main shareholder in the new company that keeps the Grup Hospitalari Quirón name, while the remaining 39% of shares (valued at EUR 1.5bn) is retained by the Cordón family.

Partners Group acquires 75% stake in Savera for EUR 250m

Partners Group, a Swiss PE entity, acquired 75% of the share capital of Savera Elevator Systems Solutions, a Spanish manufacturer of original elevator equipment with a significant presence in China, for EUR 253m. The transaction valued the company at approximately EUR 338m, representing an equity value of 7.5 times EBITDA. The remaining share capital (25%) is held by the original shareholders of the Spanish company: its founders and management team.

Savera, whose EBITDA amounts to EUR 45.5m, is a key supplier to eight of the global manufacturers of original elevator equipment: Hitachi, KONE, Schindler, Mitsubishi, Otis, ThyssenKrupp, Fujitec and Toshiba.

Partners Group manages EUR 33.8bn in more than 6,000 private assets, including equity, debt, real estate and infrastructure. The firm is listed on the SIX Swiss Exchange with a market capitalization of more than CHF 4bn.

3i sells its ownership in Café y Té to HIG Capital, which integrates the Café y Té chain with Panaria

3i sold its approximate 47% ownership in the Spanish chain of cafeterias and restaurants Compañía del Trópico to HIG Capital, a US PE fund advised by the Hogan Lovells Madrid office. HIG acquired all of the shares of the chain with the remaining 53% acquired from Compañía del Trópico's founder, Mr. Gustavo Ron (approximately 46%), and other minority shareholders.

At the same time, in a simultaneous double acquisition by HIG Capital (and also advised by the Hogan Lovells Madrid office), the US fund acquired the bakery chain Panaria, with the purpose of integrating it into the Compañía del Trópico group. However, both brands continue today to operate under their original names.

Mr. Antonio Pérez, former CEO of Panaria, undertook the management of the new group, in which he owns a minority stake.

HIG Capital's focus was to create a leading group within the sector in the Spanish market.

3i invested EUR 15m in Café y Té in 2006 acquiring a stake of approximately 47%, in a transaction that valued the company at EUR 40m. Since 3i's investment, the number of Café y Té establishments increased from 70 to a total of 147 due to the opening of new outlets as well as additional acquisitions. In 2013 the group made approximately EUR 42m and recorded EUR 5.6m EBITDA. The Café y Té and Panaria integration results in a chain of 247 establishments in premium locations and a staff of around 800 employees.

3. Analysis and market commentary

2014 has meant a change of cycle for the Spanish PE and venture capital markets in all the key indicators for the sector: investment, fundraising and divestment. The latter is the indicator which has experienced the greatest upturn during this last financial year.

3.1 Investment

The change of cycle within the Spanish PE and venture capital markets, alongside the increase in divestments and fundraising, has triggered an increase in the overall investment volume during 2014 and which is beginning to reflect the levels recorded during the years preceding the financial crisis.

Data published by the Spanish Association of Private Equity Entities (*Asociación Española de Entidades De Capital Riesgo* or "***ASCRI***") following the end of the financial year shows that the investment volume in 2014 reached a peak of EUR 3.022bn across a total of 460 transactions, representing an increase of 28% in comparison to the investment volume recorded in 2013.

(a) <u>Investment by volume</u>

Even if the number of transactions has decreased in comparison to those completed during 2013, and although 65% of these were closed for an amount smaller than EUR 1m, large deals – that is, of an amount greater than EUR 100m - have finally re-emerged in Spain. During 2014 a total of nine large transactions were closed - representing EUR 1.870bn total investment value - in comparison to five large deals accomplished in 2013.

In this sense, international investors are of paramount importance: they have led the nine large deals closed during the year and, overall, 78% of the total investment

Investment volume

Source: ASCRI /webcapitalriesgo

volume in 2014 is attributable to foreign funds, allocated in 55 transactions.

While there is still a clear predominance of investments in medium and small-sized entities (86% of the transactions were closed for an amount smaller than EUR 5m), 2014 has also shown a recovery of the so-called middle market - that is, transactions between EUR 10m and EUR 100m - where a total of 33 transactions have been closed.

(b) Investment by industry

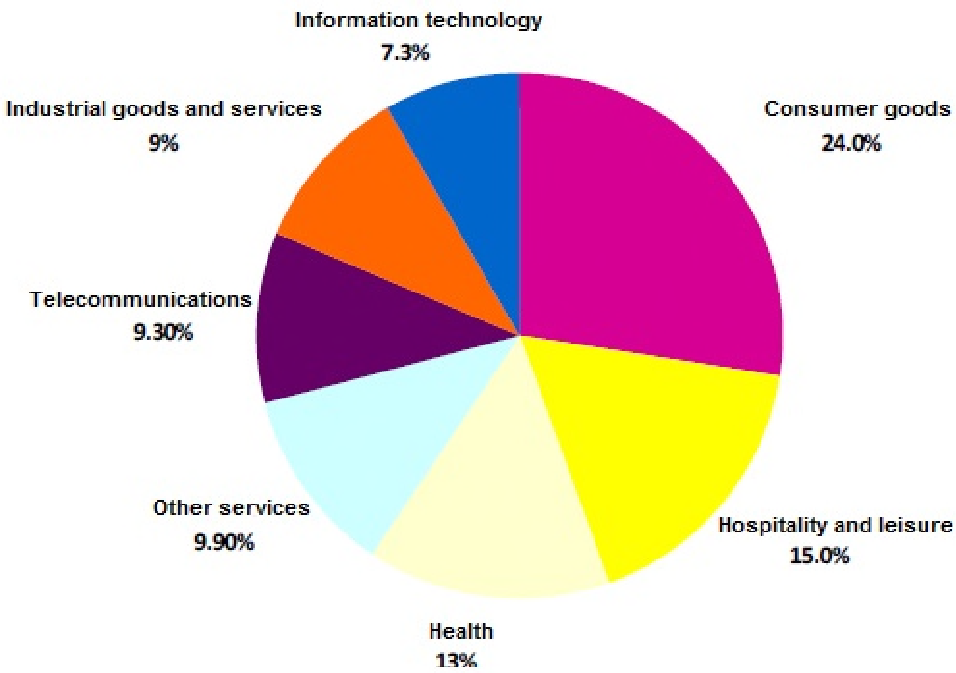
The trend during 2014 has not changed in this respect compared to previous years: the information technology industry continues to attract most of the investment made in Spain, representing 37% of the total figure (170 out of the 460 total transactions closed during 2014). Whilst other industries fall clearly behind, there is an increasing interest in investing in companies involved in the industrial and consumer goods and services sectors.

Notwithstanding the above, the nine large deals closed during financial year 2014 have evidently tipped the scales with regard to investment volume per industry. In this sense, the consumer goods industry has received 24% of the total investment made in Spain, while the hospitality and leisure and the health sectors represent 15% and 13% of the investment volume respectively.

3.2 Divestment

Data published by *ASCRI* shows that the volume of divestment has reached a historical

Investment by industry



Source: ASCRI /webcapitalriesgo

maximum of EUR 4.666bn distributed across 277 divestment transactions.

This volume of divestment sets not only a historical maximum but an evident turnaround in divestment activity since the financial crisis, being 198% greater than the volume of divestments recorded in 2013 (EUR 1.564bn) and 150.7% greater than the previous historical maximum which was set in 2011 (EUR 1.861 bn).

The upsurge in divestment volume during 2014 is mainly attributable to the enormous interest in the Spanish market from international investors, both financial and industrial, which has also resulted in an increase in takeovers and acquisitions in Spain.

Additionally, and for the first time since the financial crisis began, divestment in 2014 has been driven by attractive asset valuations and not by the urgency of exiting a market in crisis. The overall economic environment in Spain is now offering encouraging prospects for investors due to a recovery in valuations. Consequently, investors and funds, that for years had been holding on to their assets and interests in an attempt to avoid underselling, have finally reaped what they have sown.

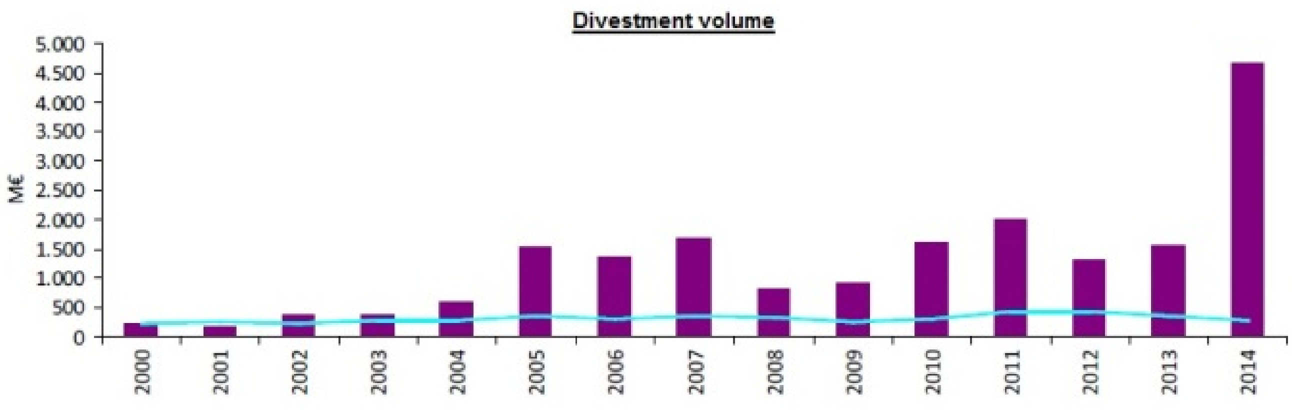
Based on the data published by *ASCRI*, sales with depreciation have represented only 3.9% of the overall divestment volume in 2014, in comparison to 19.1% in 2011 – the previous historical maximum in divestments - and 51.2% in 2009.

As regards the acquirer, the most popular divestment mechanism during financial year 2014 was the sale to third parties (including industrial investors), representing 77% of the total divestment figure. In turn, sales to other PE entities (secondaries) represented 12% of the total divestments.

3.3 Fundraising

2014 has also meant a turning point for fundraising by both Spanish and foreign investors. In accordance with the data circulated by *ASCRI*, funds equivalent to a total amount of EUR 4.2bn were called, representing an astonishing increase of 88.5% in comparison to 2013.

This increase is due essentially to the allocation of resources by foreign funds (EUR 2.3bn) but also to the greater availability of funds for



Source: ASCRI /webcapitalriesgo

national investors, who were able to call funds equivalent to EUR almost 1.7bn. The remaining funds, equivalent to around EUR 253m, were obtained by public PE entities from the state and regional budgets.

The astounding level of fundraising accomplished by national funds and entities during 2014 - which has now returned to the levels recorded during the years preceding the financial crisis - is, once again, an indicator of the recovery of the Spanish economic environment in the PE and venture capital markets.

4. Expectations for the future

2014 represented a turning point in Spain for its economy as a whole (ending the year with a positive GDP rate even higher than its European neighbors) and expectations for PE and venture capital in 2015 are positive.

Spain has finally not only regained an atmosphere of confidence but it can once again offer its investors - whether foreign or national - appropriate macroeconomic conditions and decent investment, fundraising and divestment volumes in its PE market.

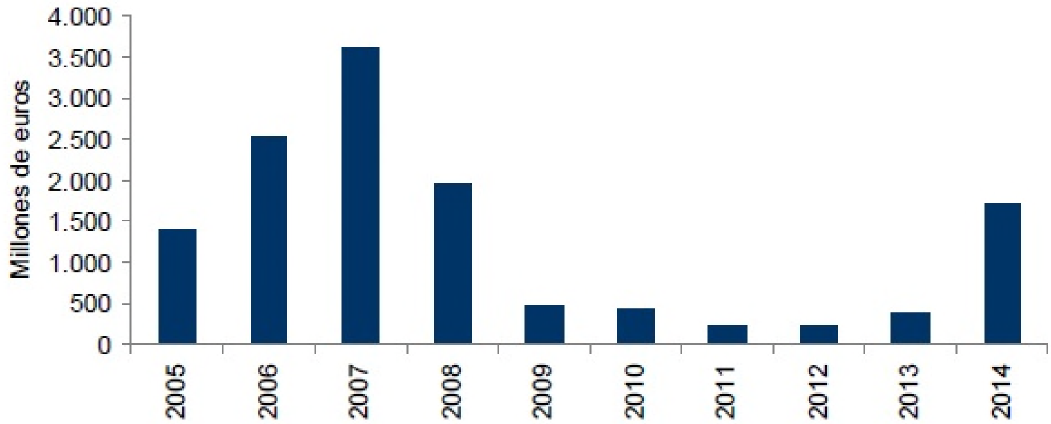
The increasing trend in the call for funds by national entities and the interest from international investors and funds in Spain is expected to continue during 2015, improving the dynamism of the Spanish PE and venture capital markets.

Additionally, and following the restructuring of many financial institutions and bank entities, access to finance is now more of a reality.

However, Spain must be cautious. There is an increasingly high volume of funds available and many investors are eager to acquire Spanish equity but there may not be sufficient investment opportunities to satisfy this demand. This is likely to result in a shift towards higher prices and excessive competition and a resulting increase in the kinds of leverage ratios (especially in comparison to other European markets) which dominated the market before the financial crisis.

Although a significant impact on Spanish macroeconomic conditions is not predicted, the market is reacting with uncertainty (principally from international investors) after the outcomes of local and regional elections and in anticipation of the upcoming general election later in 2015.

Evolution of fund-raising by Spanish private entities



Source: ASCRI /webcapitalriesgo

5. Key developments in connection with the Spanish private equity market

5.1 New PE Act

2014 ended with the approval of Act 22/2014, of 12 November 2014 (the "**PE Act**"), which establishes a new legal framework for PE entities and fund managers. The PE Act provides for, amongst other things, the implementation of Directive 2011/61/EU of the European Parliament and of the Council, of 8 June 2011, on alternative investment fund managers (the Alternative Investment Fund Managers Directive or "**AIFMD**") and other ancillary Directives. These new regulations represent an improved legal framework for the development of the Spanish PE market.

Consistent with the objectives of the AIFMD, the PE Act harmonizes the authorization requirements, commercialization and management of alternative investment fund managers across Europe, mainly through the monitoring of systemic risk arising from the impact that these entities can have on financial stability and the economy as a whole.

Furthermore, the PE Act pursues the following objectives:

(i) to promote the collection of funds and, subsequently, the financing of a greater number of entities (particularly small and medium-sized entities);

(ii) to facilitate access to alternative financing sources for entities in the early stages of their development, as opposed to bank financing to which many of these entities do not have access; and

(iii) to offer small and medium-sized entities assistance from qualified professionals in their management and development.

Essentially, the PE Act allows more flexibility and dynamism within the Spanish PE market and, to an even greater extent, the venture capital market.

Administrative simplification and reduced regulatory intervention

The PE Act provides for substantial administrative simplification and subsequent reduced regulatory intervention by the Spanish stock exchange authorities (*CNMV*).

As a result of the provisions of the PE Act, only fund managers will be subject to the authorization process imposed by the CNMV*.* Accordingly, the incorporation of funds and PE entities, the management of which has been delegated to a previously-authorized fund manager, will only be subject to an *ex-post* communication and registration. Prior authorization by the CNMV is no longer required. Consequently, the time necessary to complete administrative procedures on incorporation will be greatly reduced.

Reduction of the required investment ratio

Under the PE Act a mandatory restricted investment ratio will still apply but with a broadening of the kind of assets to which a fund may be allocated. These now include, *inter alia*, participative loans and investments in other PE entities' shares.

Additionally, the situations in which temporary non-compliance with the mandatory investment ratios is permitted have been extended, allowing for more flexibility.

Creation of a new type of PE entity: the so-called "*ECR-Pyme*"

The PE Act introduces a new form of PE investment entity with the objective of making PE funding attainable for companies in the early stages of their development. This is achieved through the changes to the mandatory restricted investment ratio whilst, at the same time, provides potential investee companies with an alternative to bank financing.

More flexibility in the contribution regime for PE funds

Non-monetary contributions to a PE entity upon incorporation (or after) are permitted under the new PE Act, as long as these assets are appropriate or suitable for investment and in the event that the management rules permit.

Regulation of cross-border commercialization and management

For the first time in Spain, the new PE Act establishes specific regulation in respect of the commercialization of Spanish PE entity interests subscribed by:

(i) investors considered as professional clients;

(ii) managers, directors or employees of the company or fund manager; and

(iii) investors which (a) commit at least EUR 100,000 and (b) state, in writing, that they understand the risks associated to their commitment.

Similarly, and again for the first time in Spain, the PE Act regulates the commercialization and management activities carried out by foreign fund managers duly authorized in other EU-states in accordance with the AIFMD.

5.2 Tax reform

Tax structuring can create additional value for PE deals by reducing acquisition costs and optimizing an investment's after-tax return. In this regard, Spain's 2015 Corporate Income Tax reform will certainly have an impact in the tax structuring of PE investments. We include below the key tax aspects to consider when structuring a Spanish transaction.

Investment through an EU HoldCo/Spanish BidCo

Investments in shares of Spanish companies ("**Spanish Targets**") by international PE Funds are usually structured through EU-resident holding companies (incorporated typically in Luxembourg) in order to benefit from withholding tax exemptions in Spain on dividends, interest and capital gains. These EU holding companies should have enough legal, business, or operational "substance" in order to prevent the application of Spanish anti-avoidance tax rules (which may "look-through" the EU structure).

Structuring the acquisition through a Spanish BidCo (leveraged with shareholder loans and/or senior debt) can also be tax efficient, as it may allow the offset of interest (even if PIK) against taxable profits of the Spanish Target through tax grouping or a merger, subject to interest deductibility limits (e.g. transfer pricing, 30% EBITDA limit, and recently approved anti-LBO limitations described below).

Spanish BidCos are, as from 1 January 2015, tax exempt on capital gains from shareholdings in Spanish companies, which would give PE investors more flexibility to structure their exit strategies, although the requirements to distribute dividends out of Spain (after an exit) without withholding tax should always be carefully analyzed.

This new exemption may also encourage Spanish groups to undertake divestments that, until 1 January 2015, might not have been considered because of their high tax burden.

It is worth mentioning that this new exemption also creates a significant difference in the tax treatment of share deals when compared with asset deals (which remain taxable). Share deals will no longer allow the purchaser to deduct the embedded goodwill paid (as explained below) and sellers with accumulated tax losses may prefer to structure the sale as a taxable transaction with a taxable carve out of the business in order to allow the purchaser to deduct the goodwill and offset against a higher purchase price.

"Anti-LBOs" tax provision restricting tax deduction of acquisition debt

Spanish Corporate Income Tax ("**CIT**") Law has since 2012 provided a standard "earning-stripping" interest limitation rule, whereby net financial expenses (that is, the excess of financial expenses over interest income), either with related or unrelated lenders, shall be tax deductible up to a limit of 30% of the EBITDA (as defined in this tax provision) for the tax period. Net financial expenses exceeding this 30% EBITDA limit can be carried-forward and deducted in the following years without time limit (subject to the same 30% EBITDA limit).

If the entity forms part of a Spanish tax group, the limit is applicable at the level of the tax group (specific rules are applicable for companies joining and leaving the tax group).

The new Spanish CIT Law that came into force as of 1 January 2015 (the "**New CIT Law**") retains this 30% EBITDA deductibility limit, but includes an additional limitation for leveraged buy-out (LBO) transactions restricting the tax deductibility of acquisition debt against the taxable profits of the acquired target entities through tax consolidation or a merger (being an "anti-LBO" tax provision).

In particular, this new provision requires that, when calculating the 30% EBITDA limit against which deduct the interest accrued by a Spanish BidCo on the debt borrowed to acquire the target entities is deducted, the EBITDA of the target entities that have joined the BidCo's tax group or that have been merged into BidCo should be excluded. However, this "anti-LBO" provision does not apply to acquisitions where the target entities have joined BidCo's tax group in tax periods commencing before 20 June 2014, or where the target entities have been merged into BidCo before 20 June 2014.

Also, in order to address any increase in the EBITDA of a Spanish BidCo arising from further acquisitions, the New CIT Law provides that the EBITDA of any other entity that joins BidCo's tax group or is merged into BidCo in the four years after the LBO acquisition should also be excluded.

However, this additional "anti-LBO" limitation does not apply if (i) the amount of the purchase price financed with debt does not exceed 70% of the total purchase price, and (ii) in the eight (8) years following the acquisition the borrower repays debt principal every year, at least in an amount of 1/8 each year of the amount borrowed until the debt principal is reduced to 30% of the initial purchase price.

In this regard, the Spanish tax authorities have provided, in a recent tax ruling released in May 2015, some interpretation guidance to the application of this "anti-LBO" provision, and specifically on the conditions required to be satisfied in order to benefit from its "escape clause". For example, the failure to amortize the required amount of acquisition debt in a given year will not damage the tax deductibility in future years, if the acquisition debt is subsequently reduced to the required balance with a "catch-up" of the amortization "deficit" of previous years.

This "anti-LBO" tax provision will certainly have an impact in the structuring of acquisition debt. Whereas PE investors will be expected to fund the purchase price with debt not exceeding the 70% limit, they will also need to carefully review the cash flow projections to check the ability to amortize acquisition debt at the required pace during the 8-year period.

If the acquisition debt falls within the scope of the anti-LBO limitation (that is, bullet debt), buyers may need to consider strategies to push down debt to the target entities, on or after closing, taking into account the potential application of anti-avoidance tax rules.

Restrictions to tax deductibility of hybrid financial instruments

The New CIT Law also includes changes with respect to the tax deductibility of certain hybrid financial instruments.

- The return accrued on hybrid financial instruments representing share capital or equity of the issuer (for example, **non-voting shares, redeemable shares**) will be characterized as a dividend for CIT purposes (and, therefore, non-tax deductible), regardless of its characterization for accounting purposes.

- Interest accrued on **profit participating loans**, when the lender and the borrower form part of the same accounting group, is characterized as a dividend for CIT purposes (and therefore non-tax deductible), regardless of the tax residency of the lender. This tax change will not apply to participating loans granted before 20 June 2014.

- Interest accrued on **financial instruments with related parties** is not tax deductible for the Spanish borrower if characterized as a dividend in the lender's jurisdiction, if, as a consequence of such characterization, the income is tax exempt or is subject to a nominal tax rate below 10%.

Other relevant proposed tax changes with impact for Spanish PE transactions

The New CIT Law has introduced several amendments that will be relevant in the tax structuring of future PE transactions:

(a) Reduction of CIT rate

CIT rate has been reduced from 30% to 28% (2015) and will further reduce to 25% (2016 onwards).

(b) Changes to tax treatment of mergers

For share deals closed after 1 January 2015 it will not be possible to achieve a step-up in the assets' tax basis or goodwill tax deduction through a post-closing merger of the Spanish Target(s) into the Spanish BidCo.

Also, the New CIT Law has clarified that if the tax neutrality of a merger is challenged on the basis that it has not been carried out for valid business reasons but mainly to obtain a tax advantage (e.g. goodwill tax deduction, or transfer of carryforward tax losses), the Spanish tax authorities can only regularize the tax advantage unduly taken, but cannot claim the tax on the unrealized gains of the assets of the dissolved entity. This change will have the effect of reducing the tax exposure in post-closing mergers.

(c) Use of carry forward tax losses: New rules

Carried forward tax losses of a Spanish Target can be offset only up to 70% of the relevant year's positive taxable income (60% in 2015), although the New CIT Law foresees certain circumstances where this 70% limitation will not apply.

The New CIT Law allows the use of these carried-forward tax losses without time limit and extends their statute of limitation period to 10 years (general limitation period is four years).

The New CIT Law also includes additional situations where the change of control of a Spanish Target will trigger the forfeiture of the carry forward tax losses.

(d) Changes in tax grouping regime

Spanish tax grouping rules now allow Spanish sister entities, with a common (directly or indirectly) non-Spanish parent, to form a Spanish tax group, which may allow a non-Spanish investor to pool profits and losses of their Spanish subsidiaries.

However, this could be an issue for PE funds investing in different Spanish portfolio entities through the same LuxCo parent company, as all the Spanish entities could become members of the same Spanish tax group without ring-fencing (so that the entities within the same tax group are jointly liable for CIT tax debts). Furthermore, the inclusion of an existing Spanish Target's tax group into a new tax group formed by a Spanish BidCo will no longer trigger "de-grouping tax charges".

Tax treatment of debt purchase/ restructuring

It is often the case that a PE investor will only be willing to acquire a stake in a Spanish Target subject to a prior restructuring of the existing debt. An investor might also be interested in acquiring a Spanish Target's debt at a discount as a prior step to becoming a shareholder, through a debt-for-equity swap.

The tax treatment of debt restructurings in Spain has been amended and has become more "debtor-friendly". The taxable income arising for a Spanish Target on the purchase of debt at a discount, or where there is a partial waiver of the debt, can now be fully offset against tax losses carried forward, or deferred for tax purposes, if certain requirements are met.

In addition, debt-for-equity swaps are now regarded as shareholders' contributions and do not trigger taxable income for the Spanish Target, therefore facilitating "loan-to-own" strategies.

Changes in executives' compensation schemes

Partial tax exemption of bonus payments generated over more than 2-years

Apart from the reduction in the marginal income tax rate from 52% to 45% in 2016, the treatment of taxation of bonus payments generated over more than two years can now only benefit from a 30% tax exemption in the taxable base (formerly 40%), up to a maximum amount of €300,000 under Law 26/2014 ("**2015 Tax Reform**"). The 2015 Tax Reform now states that this tax exemption shall not apply if the executive has received another bonus payment which has benefitted from the exemption in the previous five years.

Income tax incentive for expatriates (formerly the "Beckham" law)

Expatriates coming to Spain and becoming Spanish tax residents can elect to be taxed as non-Spanish residents in the year of arrival and for the following five fiscal years, meaning they would be taxed only on their Spanish-source income (and not on their worldwide income) at a flat 24% on the first €600,000, instead of at the progressive tax rates for Spanish residents. The 2015 Tax Reform has improved the scope of application of this tax incentive, making it available also for directors in a Spanish company, and no longer requires that the work is effectively carried on in Spanish territory or provided to a Spanish entity.

Further information

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