

# *The Canary Islands Tax Incentives*

Canary Islands Special Zone  
and Free Trade Zone: The  
lowest direct and indirect tax  
pressure in Europe

***The Canary Islands Special Fiscal Regime is fully passed by the EU Authorities***

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## ***Overview***

The Canary Islands (CI) have an economic incentive which is still fairly unknown outside the Canary Islands: its Special Economic and Fiscal Regime (REF). This tax regime is considerably more advantageous than other European tax regimes which have been traditionally considered as low - taxation regimes, like the Irish one.

REF tries to stimulate the economy of the Canary Islands stating a very low direct and indirect tax pressure. It has been specially designed to attract foreign investments, is fully authorized by the European Union authorities and is the best way to invest around the world (Africa, South America, etc...)

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# *Canary Islands Special Zone (ZEC)*

## Profits and requirements



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## ***Canary Islands Special Zone (ZEC)***

### Tax profits

**Tax rate**

**4%**

#### **Corporate Income Tax**

ZEC entities enjoy a CIT fixed tax rate much lower than the applicable to common entities, which amounts to 25% - 30%.

**Real taxation**

**<4%**

It is compatible with most of the direct taxation profits stated by REF, why real taxation fluctuates between 0% and 4%.

**Double tax**

***Free/soft***

The dividends distributed by a ZEC entity to foreign shareholders will benefit from the different mechanisms to avoid/soften international double taxation.

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## ***Canary Islands Special Zone (ZEC)***

### Tax profits

#### **Double taxation treaties**

ZEC companies benefit from the network of double taxation treaties (DTTs) concluded by Spain with other States.

**Spain DTTs  
*Available***

#### **Non - Resident tax**

Dividends distributed can benefit from the exemption stated by the European Union Parent Company-Subsidiary Directive.

Direct shareholding of at least 5% and subjection of both companies to an equivalent CIT are required.

**EU Parent Co  
*Tax free***

#### **IGIC and Transfer tax**

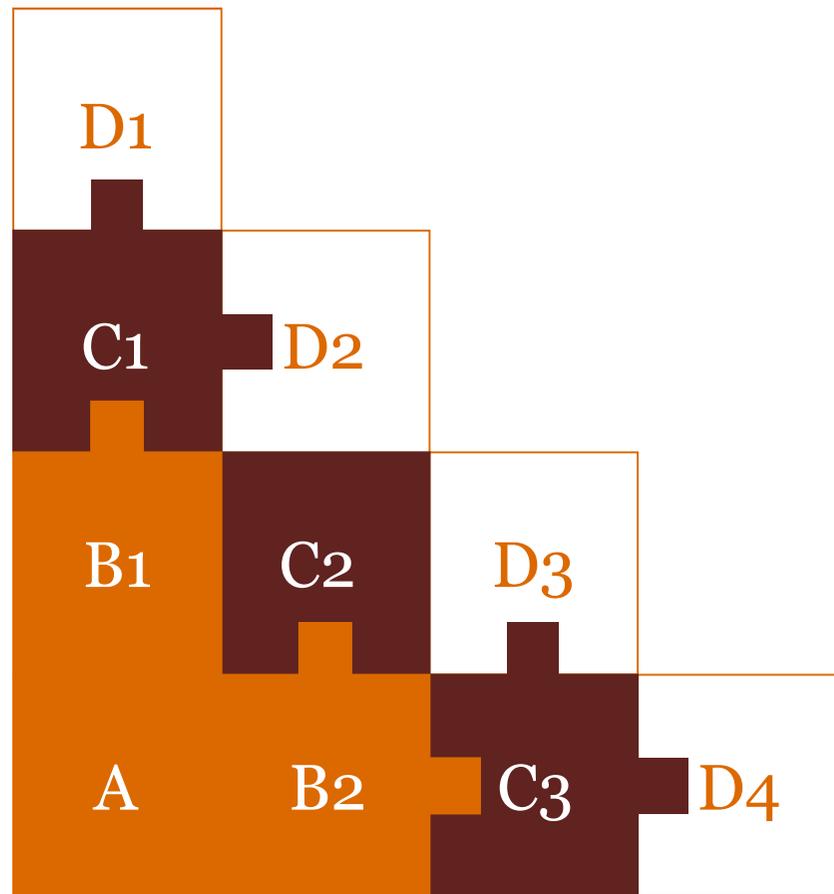
Exemption in IGIC applicable to imports and to the operations developed for other ZEC entities.

**Imports  
*Exempt***

Additional exemption in Transfer Tax, which would affect to transmissions, society operations and legal documents.

# Canary Islands Special Zone (ZEC)

## Requirements



- |    |   |
|----|---|
| A  | Reserved to new entities                            |
| B1 | List of qualifying activities                       |
| B2 | Location in ZEC                                     |
| C1 | Investment and employment commitment                |
|    | › D1 100k/50k € in Gran Canaria&Tenerife/rest of CI |
|    | › D2 5/3 jobs in Gran Canaria&Tenerife/rest of CI   |
| C2 | Residence of one of the administrators in the CI    |
| C3 | Descriptive report                                  |
|    | › D3 Contribution to the CI economy                 |
|    | › D4 Solvency and viability                         |

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# *Free Trade Zone*



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## ***Canary Islands Free Trade Zone***

Storage,  
transformation and  
distribution

***Free***

According to the EU Customs Code, Free Zones are a portion of the EU Customs Territory, adjacent to maritime ports and airports, where goods that are imported can be stored (without time limits), transformed and distributed.

These operations can be performed without the application of customs duties, excise duties nor other indirect taxes. Likewise, nor quotas nor restriction are applicable, and the supply of components from other countries is fully guaranteed.

## ***Canary Islands Free Trade Zone***

Specific advantages of the Canary Islands Free Trade Zone are the exemption in fulfilling the economic conditions that regulate Inward Processing and the compatibility with other fiscal incentives of the Canarian Economic and Fiscal Regime (REF).

Bureaucratic  
procedure

*Agile*

## ***Final Taxation***

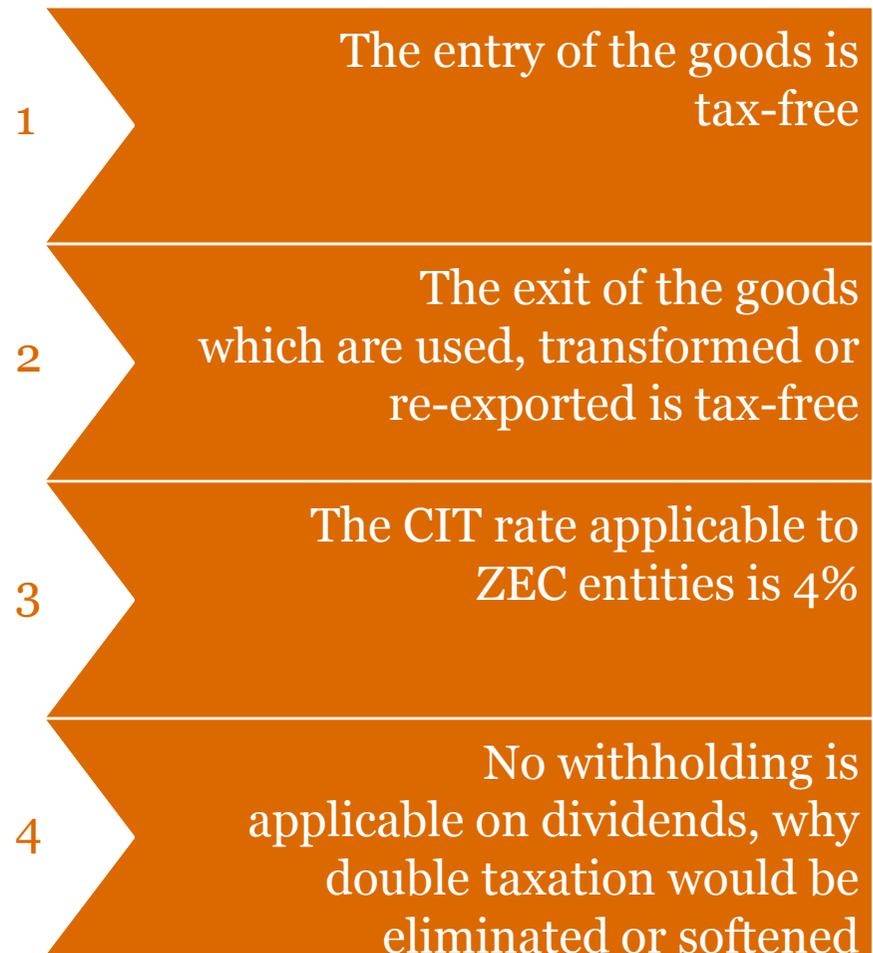
The application of both incentives in CI (ZEC and Duty-Free Zone) would involve the following taxation:

No indirect taxes nor customs duties would be applicable on the imports

No indirect tax nor customs duties would be applicable on the exports

The CIT rate applicable to the profit of the ZEC entity would be considerably low

The Spanish DTTs and the EU Parent Company-Subsidiary Directive are fully applicable



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***PwC services in CI***  
**Guarantee of excellence**

PwC renders first-class professional services in CI (offices in Gran Canaria and Tenerife), in an integral way: advisory in tax, commercial, administrative and labor law.

Therefore, foreign investments can be supported by PwC professionals since their first steps, and along its whole development in CI.

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