


CANARY ISLANDS SPECIAL ZONE- ZEC



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ZEC – DEFINITION AND GEOGRAPHIC SCOPE



- ✓ The Canary Islands Special Zone – ZEC – is a geographical area of low taxation located in the Canary Islands, Spain.
- ✓ All entities fulfilling the requirements to be registered as a ZEC entity would enjoy of **important tax advantages**, which make the ZEC **the lowest tax area** within the legal jurisdiction of the European Union.
- ✓ As part of the European Union, the ZEC entities will enjoy **the security from a legal perspective** required for the success of their business activities. This protection, combined with the geostrategic position to operate in Africa or as connection point between America and EMEA regions either, make the Canary Islands a key territory for specific industries.
- ✓ The tax benefits will be in force until **December 31, 2026**, without considering the probable extension to be adopted by the European Commission. Nevertheless, at present, there is a limit date to be registered in the Official Registry of ZEC Entities (ROEZEC) scheduled on December 31, 2020.
- ✓ Regulatory Body is the ZEC Consortium – WWW.CANARIASZEC.COM/EN/

ZEC – TAX BENEFITS

CORPORATE INCOME TAX

- **4% tax rate** Vs 25% for the rest of Spain.
- Applicable to the part of Tax Base for the transactions materially and effectively performed in the Canary Islands, **including exportations and cross-border services** if done with means placed in the Islands.
- First limit of 1.800.000 € of Tax Base if the requirement of employment is met.
- Additional 500.000 € for each employ exceeded from the minimum, up to 50 employees. Without limit as from 50 employees.

NON-RESIDENT INCOME TAX

- No withholding tax over dividends and interests paid to headquarters **of any country**, not only from the EU.
- No withholding tax over capital gains from movable goods without a PE.
- Applicable for payments derived from transactions effectively carried out in the geographical scope of the ZEC.
- Not applicable if the incomes comes through territories without information exchange agreement in place.

ZEC – TAX BENEFITS

TRANSFER TAX AND STAMP DUTIES

- **Transfer Tax exemption** for the acquisition of goods and rights for the purpose to the business activity development, placed in ZEC.
- **Tax exemption** for Corporate Transfer Tax, except for the dissolution.
- **Stamp Duties exemption** for the transactions carried out in the scope of the ZEC.

CANARY GENERAL INDIRECT TAX (IGIC)

- **IGIC exemption** for the transactions carried out between ZEC entities, giving right to deduct.
- **IGIC exemption** for the importation of goods.
- General rate of **7%** Vs 21% of VAT.

ECONOMIC AND FISCAL SCHEME BENEFITS

- Application of the Reserve for Investment in Canary Islands (RIC) – which means a potential **90% off from the taxable base**.
- Corporate Income Tax **deduction of 35%** for expenses related to foreign production of cinematographic feature films, etc
- **50 % bonification** for the manufacture of material goods.

ZEC – REQUIREMENTS FOR REGISTRATION

Newly created entity or branch, with effective place of management in the Canary Islands.

At least one of Directors must have the usual domicile in the Canary Islands.

Minimal invest of 100k € (50k € for secondary islands) in fix assets in two years from register.

5 employees (3 for secondary islands) in the 6 months following to the register. To keep this average.

The goal of the company to be listed in the economic activities allowed by the ZEC Consortium.

CANARY ISLANDS AS BUSINESS STRATEGIC TERRITORY

Besides the tax benefits from the ZEC, the Canary Islands territory can be an important point of establishment for companies involved in different industries or territories of action, from a business perspective.

LOCATION

- Air (8 airports) and maritime (high capacity ports) connectivity between Africa, Europe and America continents, so becoming a key position for the tricontinental routes.
- Latest technology in telecommunications.
- One-Stop-Shop for Offshore industry operating in Africa

LEGAL SECURITY

- Tax regulation of the EU.
- Under the legal jurisdiction of the EU (data protection, competition, financial, etc).
- Political stability in the EU.

LIFE CONDITIONS (infrastructures, health, education and climate)

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