

Spanish Government modifies the Economic and Tax Regime of the Canary Islands.

Royal Decree-Law 31/2021, December 28, which modifies Law 19/1994, July 6, modifying the REF, and sets a new deadline for submitting waivers or revocations for methods and tax special regimes.

January 2022

Contact with PwC Tax and Legal Services:

Jorge Gutiérrez Hernández
Tax Partner of PwC Tax & Legal in Canary Islands
jorge.gutierrez@pwc.com

Laura Rosales García
Fiscalist of PwC Tax & Legal in Canary Islands
laura.rosales.garcia@pwc.com

The council of ministers approved on December 28, 2021 a Royal Decree-Law that modifies the Economic and Fiscal Regime of the Canary Islands (REF), to adapt it to the Regional Aid Map. This modification was endorsed the day before by the Parliament of the Canary Islands.

In a statement, the Central Government recalls that Spain notified the European Commission on December 1, 2021 of its Regional Aid Map for the period 2022-2027, therefore, it is necessary to modify several temporary references contained in Law 19/1994, of July 6, modifying the REF, so that the legal references have the same temporal scope as the period of validity of the community regulations. According to the Government, this modification is intended to eliminate the legal uncertainty that the maintenance of the terms mentioned in the current legal wording could generate in economic operators.

In this sense, **the validity of the Canary Islands Special Zone (ZEC) is extended until December 31, 2027**, which would be also renewable prior authorization from the European Commission.

In addition, the deadline for registration in the Official Registry of Entities of the ZEC is extended until December 31, 2023.

On the other hand, **the period to carry out upfront investments of the Reserve for Investments in the Canary Islands (RIC) is extended until December 31, 2023.**

Taking into account that the Spanish Regional Aid Map, which includes the REF tax incentives, must have been authorized by the European Commission, it is necessary to condition the effectiveness of these modifications on the obtainment of the aforementioned authorization.

The Royal Decree-Law also modifies the deadline to file waivers or revocations of special tax methods and regimes as a result of the modifications that will apply by 2022 in the method of objective estimation of the Personal Income Tax and in the special simplified regimes and in those of agriculture, livestock and fishing of the Value Added Tax.

These new modifications prove, together with the confirmation that the Canarian incentives are not subject to a minimum tax of 15% of the Corporate Income Tax ([click here to access our previous newsalert](#)), **that the Government supports the Canary Islands' REF, providing legal certainty and establishing competitive advantages for companies that settle in the islands.**