0 general Information 3.8

1. Status of the notification

Notification pursuant to Article 108(3) of the Treaty on the Functioning of the European Union (TFEU)

2. Identification of the aid grantor

Member State concerned:
Spain

Region (s) of the Member State concerned (at NUTS level 2); include information on their regional aid status:
CANARY ISLANDS

Contact person (s):

Name
Octavio Carazo Bueno

Address
c/Alcalá, 9, 1th floor, 28071 Madrid

Telephone (s):
+ 34 915958079

E-mail address (s):
octavio.carazo.bueno@hacienda.gob.es

Please indicate the name, the address (including web address) and the e-mail contact of the granting authority:

Name
Ministry of Finance and the Civil Service

Address
c/Alcalá, 9, 1th floor, 28071 Madrid

E-mail
direccion.gabseh@hacienda.gob.es

Website address
www.hacienda.gob.es

Contact person at the Permanent Representation:

Name:
Manuel Santaella Vallejo

Telephone (s):
+ 32 2 509 87 13

E-mail
Manuel.Santaella@reper.maec.es

If you wish that a copy of the official correspondence sent by the Commission to the Member State should be forwarded to other national authorities, please indicate here their name, address (including their web address) and e-mail contact:

Name
Ministry of Finance, Budget and European Affairs

Address
c/Tomás Miller, 38, 4th floor, 35071 — PALMES DE GRAN CANARIA

Website address:
www.gobiernodecanarias.org/hpae/

E-mail:
jzafdia@gobiernodecanarias.org

3. Beneficiaries

3.1. Location of the beneficiary (ies)
in region (s) eligible for assistance under Article 107(3)(a) TFEU (specify at NUTS-level 2):

Please specify the region (s):
CANARY ISLANDS

3.2. If applicable, location of the project (s)
in region (s) eligible for assistance under Article 107(3)(a) TFEU (specify at NUTS-level 2):

Please specify the region (s):
CANARY ISLANDS

3.3. Sector (s) affected by the aid measure (i.e. sectors in which the aid beneficiaries are active):
Open to all sectors

3.4. In the case of an aid scheme, please specify:

3.4.1. Type of beneficiaries:
large enterprises — Small and medium-sized enterprises (SMEs) — Medium-sized enterprises — Small enterprises — Micro

3.4.2. Estimated number of beneficiaries:
more than 1000

3.5. In the case of an individual aid, either granted within the scope of a scheme or as ad hoc aid, please specify:

3.5.1. Name of the beneficiary (ies):

3.5.2. Type of beneficiary (s):

Number of employees:

Annual turnover (full amount in national currency, in the last financial year):

Currency:

Annual balance-sheet total (full amount in national currency, in the last financial year):

Currency:

Existence of linked or partner enterprises (please attach a declaration according to Article 3(5) of the Commission Recommendation on SMEs (3) attesting to either the autonomous, linked or partner status of the beneficiary undertaking (4)):

3.6. Is the beneficiary (ies) an undertaking in difficulty?
no

3.7. Pending recovery orders

3.7.1. In the case of individual aid:

The authorities of the Member State commit to suspend the award and/or payment of the notified aid if the beneficiary still has at its disposal an earlier unlawful aid that was declared incompatible by a Commission Decision (either as an individual aid or an aid under an aid scheme being declared incompatible), until that beneficiary has reimbursed or paid into a blocked account the total amount of unlawful and incompatible aid and the corresponding recovery interest.
yes

Please provide the reference to the national legal basis concerning this point:
Article 260.4 General Tax Law 58/2003 of 17 December.

3.7.2. In the case of aid schemes:

The authorities of the Member State commit to suspend the award and/or payment of any aid under the notified aid scheme to any undertaking that has benefited from earlier unlawful aid declared incompatible by a Commission Decision (either as an individual aid or an aid under an aid scheme being declared incompatible), until that undertaking has reimbursed or paid into a blocked account the total amount of unlawful and incompatible aid and the corresponding recovery interest.
yes

Please provide the reference to the national legal basis concerning this point: Article 260.4 General Tax Law 58/2003 of 17 December.

(2) NACE Rev. 2, or subsequent legislation amending or replacing it; NACE is the statistical classification of economic activities in the European Union as laid down in Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains (OJ L 393, 30.12.2006, p. 1).

(3) Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003, p. 36).

(4) In the case of partner and linked enterprises, please note that the amounts reported for the aid beneficiary should take into account the number of employees and the financial data of the linked enterprises and/or partner enterprises.

(5) As defined in the Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty (OJ C 249, 31.7.2004, p. 1).

4. National legal basis

4.1. Please provide the national legal basis of the aid measure including the implementing provisions and their respective sources:

Title
Hac — Canary Islands Economic Tax Regime (REF). Investment aid (SA.101888)

Implementing provisions (where appropriate):
— Law 19/1994 of 6 July 2011 amending the Canary Islands' economic and tax system. — Law 20/1991 of 7 June 2009 amending the tax aspects of the Canary Islands Economic Tax System. Royal Decree 1758/2007 of 28 December 2015 approving the implementing regulation for Law 19/1994 of 6 July amending the Canary Islands' economic and fiscal regime, in matters relating to tax incentives in indirect taxation, the reserve for investments in the Canary Islands and the Canary Islands Special Area. Royal Decree Law 15/2014 of 19 amending the Canary Islands' Economic and Tax Regime. — Law 8/2018 of 5 November 2015 amending Law 19/1994 of 6 July 2011 amending the Canary Islands' Economic and Tax Regime. — First final provision of Royal Decree-Law 34/2020 of 17 November 2003 on urgent measures to support business solvency and the energy sector, and in tax matters. — Second final provision of Royal Decree-Law 39/2020 of 29 December 2003 on financial measures for social and economic support and enforcement of judgments. Royal Decree-Law 31/2021 of 28 December 2015 amending Law 19/1994 of 6 July 2011 amending the Canary Islands' Economic and Tax Regime and setting a new deadline for submitting waivers or cancellations of special methods and schemes of taxation.

References (where applicable):
SA.101888

4.2. Please enclose with this notification one of the following:
a copy of the relevant extracts of the final text (s) of the legal basis (together with a web address which provides direct access to it, if available);

4.3. In case of a final text, does the final text contain a stand-still clause whereby the aid granting body can only grant the aid after the Commission has authorised the aid?
No: has a provision been included to that effect in the draft text?

No: please explain why such a provision was not included in the text of the legal basis.

Communication prolongation and now evaluation plan aid scheme under Regulation (EU) No 651/2014

4.4. Where the text of the legal basis contains a stand-still clause, please indicate whether the date of granting of the aid will be: the date of the commitment of the national authorities to grant the aid, subject to the approval of the Commission.

5. Identification of the Aid, Objective and Duration

5.1. Title of the aid measure (or name of the beneficiary of the individual aid)

Hac — Canary Islands Economic Tax Regime (REF). Investment aid (SA 101888). Evaluation plan.

5.2. Brief description of the objective of the aid

Tax regime of regional State aid for investment

5.3. Does the measure concern the national co-financing of an European Fund for Strategic investment (EFSI) project (6)?
No

5.4. Type of aid

5.4.1. Does the notification relate to an aid scheme?
Yes: Does the scheme amend an existing aid scheme?

No

5.4.2. Does the notification relate to individual aid (8)? No

5.4.3. Does the system of financing form an integral part of the aid measure (for example, by applying parafiscal levies in order to raise the necessary funds to allow for the aid to be granted)?
No

5.5. Duration

Scheme

Indicate the planned last date until which individual aid may be granted under the scheme. If the duration exceeds 6 years please demonstrate that a longer period is indispensable to achieve the objectives of the scheme.
31/12/2023

5.6. Does the notified measure fall within the scope of application of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak?
no

5.7. Is the notified measure a reform and/or investment financed under the Recovery and Resilience Facility?
no

5.8. Does the notified measure concern an investment financed under the scope of the Just Transition Fund?
no

5.9. Does the notified measure fall within the scope of the Crisis Temporary Framework for State aid measures to support the economy following Russia's aggression against Ukraine?
no

(6) Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments (OJ L 169, 1.7.2015, p. 1).

(7) Commission registration number of the approved or block-exempted scheme.

(8) according to Article 1 (e) of Council Regulation (EU) 2015/1589 of 13 July 2015 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union (OJ L 248, 24.9.2015, p. 9), individual aid means any aid not granted on the basis of an aid scheme and aid granted on the basis of an aid scheme but which has to be notified.

(9) Commission registration number of the approved or block-exempted scheme.

(10) date of legally binding commitment to award the aid.

6. Compatibility of the aid

Common principles for evaluation

(Sub-sections 6.2 to 6.7 do not apply to aid to the agriculture, fishery and aquaculture sectors (11))

6.1. Please indicate the primary objective and, where applicable, the secondary objective (s), of common interest to which the aid contributes:

Main objective
Regional development (including territorial cooperation)

Secondary objective (12)
Sectoral development

6.2. Please explain the need for State intervention. Please note that the aid must be targeted towards a situation where it can bring about a material improvement which cannot be delivered by the market itself, by remedying a well-defined market failure.

Regional investment aid in an outermost region. The Canary Islands' status as an outermost region (ORs) is recognised in Article 349 (1) TFEU.

6.3. Please indicate why the aid is an appropriate instrument to address the objective of common interest as defined in point 6.1. Please note that the aid will not be considered compatible if less distortive measures make it possible to achieve the same positive contribution.

The Canary Islands' Economic Tax Regime derives from a long tradition dating back to the 15th century. The development of the economy of the Canary Islands is conditioned by certain permanent characteristics, as set out in Article 349 TFEU. Investment tax incentives aim to facilitate economic activities in a limited economic environment.

6.4. Please indicate whether the aid has an incentive effect (that is, when the aid changes the behaviour of an undertaking leading it to engage in additional activity which it would not have engaged in without the aid or would only have engaged in such activity in a restricted or different manner).
yes

Please indicate whether activities which started before the submission of an application for aid are eligible.
yes

If they are eligible, please explain how the incentive effect requirement is complied with.

This is an extension of aid approved since 1998.

6.5. Please indicate why the aid granted is proportionate insofar as it amounts to the minimum needed to induce investment or activity.

According to the Spanish regional aid map, the Canary Islands can benefit from the maximum intensity of investment aid.

6.6. Please indicate the possible negative effects of the aid on competition and trade and specify the extent to which they are outweighed by the positive effects.

Since 1998, the Commission has authorised this investment aid scheme until Regulation (EU) No 651/2014 becomes applicable from 2015 onwards. The negative effects on competition and trade are not significant.

6.7. In accordance with the Transparency Communication (13), please indicate whether the following information will be published on a single national or regional website: the full text of the approved aid scheme or the individual aid granting decision and its implementing provisions, or a link to it; the identity of the granting authority/(ies); the identity of the individual beneficiary (ies); the aid instrument (14) and the amount of aid granted to each beneficiary; the objective of the aid, the date of granting, the type of undertaking (for example SME, large company); the Commission's aid measure reference number; the region where the beneficiary is located (at NUTS level 2) and the principal economic sector of the beneficiary (ies) (at NACE group level) (15).
yes

6.7.1. Please provide the address (es) of the website on which the information will be made available:

https://www.pap.hacienda.gob.es/bdnstrans/GE/es/concesiones/ayuda

6.7.2. If applicable, please provide the address (es) of the central website retrieving information from the regional website (s):

6.7.3. If the address (es) of the website referred to in point 6.7.2 are not known at the time of the submission of the notification, the Member State must undertake to inform the Commission once those websites are created and the addresses are known.

(11) For aid to the agriculture, fisheries and aquaculture sectors, information on compliance with the common assessment principles is requested in Parts III.12 (Supplementary Information Sheet for aid to the agriculture and forestry sectors and in rural areas) and III. 14 (supplementary information sheet for aid to the fisheries and aquaculture sectors).

(12) A secondary objective is one for which, in addition to the primary objective, the aid will be exclusively earmarked. For example, a scheme for which the primary objective is research and development may have as a secondary objective small and medium-sized enterprises (SMEs) if the aid is earmarked exclusively for SMEs. The secondary objective may also be sectorial, in the case for example of a research and development scheme in the steel sector.

(13) Communication from the Commission, amending the Communications from the Commission on EU Guidelines for the application of State aid rules in relation to the rapid deployment of broadband networks, on Guidelines on regional State aid for 2014-2020, on State aid for films and other audio-visual works, on Guidelines on State aid to promote risk finance investments and on Guidelines on State aid to airports and airlines (OJ C 198, 27.6.2014, p. 30).

(14) grant/interest subsidy, loan/repayable advances/repayable grant, guarantee, tax advantage or tax exemption, risk finance, other (please specify). If the aid is granted through multiple aid instruments, the aid amount shall be provided by instrument.

(15) this requirement shall not be compulsory for aid of less than EUR 500 000. For schemes in the form of tax advantage, the information on individual aid can be provided in the following ranges (in EUR million): [0,5-1]; [1-2]; [2-5]; [5-10]; [10-30]; [30 and over].

7. Aid instrument, Aid amount, Aid intensity and Means of funding

7.1. Aid instrument and aid amount

Specify the form of the aid and the aid amount (16) made available to the beneficiary (ies) (where appropriate, for each measure):

Aid instrument	Aid amount or budget allocation (17)		
	Total	Annual	
			Currency:
			Currency:
			Currency:
			Currency:
			Currency:
			Currency:
			Currency:

Where appropriate, provide a reference to the Commission decision approving the methodology to calculate the gross grant equivalent and information on the loan or other financial transaction covered by the guarantee, the security required and the premium to be paid, the duration, etc.

Currency:

Please specify:

Tax advantage or tax exemption

Tax relief	350.500.000	175.250.000	Euro
Reduction of the taxable amount	226.000.000	113.000.000	Euro
Tax rate reduction	0	0	Euro
Reduction of contributions to the social security system	0	0	Euro
Other	8.500.000	4.250.000	Euro

Please specify:

Exemption from taxes

Currency:

Please specify:

For guarantees, please indicate the maximum amount of loans guaranteed:

For loans, please indicate the maximum (nominal) amount of the loan granted:

7.2. Description of aid instrument

For each aid instrument chosen from the list in point 7.1, please describe the conditions of application of the aid (such as the tax treatment, whether the aid is accorded automatically based on certain objective criteria or whether there is an element of discretion by the awarding authorities):

Investment incentives (exemption from the tax on capital transfers and documentary legal acts and the IGIC in certain respects), reserve for investments in the Canary Islands and Deduction for investments in the Canary Islands, both in corporate tax.

7.3. Origin of the resources

7.3.1. Specify the financing of the aid:
General budget of the State/region/local administration

7.3.2. Is the budget adopted annually?
No. Please specify what period it covers:

1/1/2022

31/12/2023

7.3.3. If the notification concerns changes to an existing scheme, please indicate the budgetary effects for each of the aid instruments of the notified changes to the scheme on the:

Total budget

586.000.000	Euro

Annual budget (18)

293.000.000	Euro

7.4. Cumulation

Can the aid be cumulated with aid or de minimis aid (19) received from other local, regional or national aid (20) to cover the same eligible costs?

(16) total amount of aid planned, expressed in full amounts in national currency. For tax measures, estimated overall revenue loss due to tax concessions. If the average annual State aid budget of the scheme exceeds EUR 150 million, please fill in the section on evaluation.

(17) for the information on the amounts of aid or budget in any chapter of this form and of the supplementary forms, please indicate the full amounts in national currency.

(18) for an average annual budget of the State aid scheme exceeding EUR 150 million, please fill in the evaluation section of this notification form. The Evaluation requirement does not apply to aid schemes covered by the Supplementary information sheet on Agriculture aid.

(19) Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (OJ L 352, 24.12.2013, p. 1) and Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector (OJ L 190, 28.6.2014, p. 45).

(20) Union funding centrally managed by the Commission that is not directly or indirectly under the control of the Member State does not constitute State aid. Where such Union funding is combined with other public funding, only the latter will be considered for determining whether notification thresholds and maximum aid

intensities are respected, provided that the total amount of public funding granted in relation to the same eligible costs does not exceed the maximum funding rates laid down in the applicable Union legislation.

8. Evaluation

8.1. Is the scheme considered for evaluation (21)?

Yes

According to which criteria is the scheme considered for ex post evaluation:
A scheme with large aid budget;

If any of the criteria referred to in this point are fulfilled, please indicate the period of evaluation and complete the supplementary information sheet for the notification of an evaluation plan in Annex 1, Part III.8 (22).
2015-2023

8.2. Please indicate whether any ex-post evaluation has already been carried out for a similar scheme (where relevant, with a reference and a link to any relevant websites).
NO

(21) the evaluation requirement does not apply to aid schemes covered by the supplementary information sheet on agricultural aid.

(22) for guidance, see Commission Staff Working Document “Common methodology for State aid evaluation”, SWD (2014) 179 final of 28.5.2014 under the following link: http://ec.europa.eu/competition/state_aid/modernisation/state_aid_evaluation_methodology_en.pdf.

9. Reporting and monitoring

In order to enable the Commission to monitor the aid scheme and individual aid, the notifying Member State undertakes to:
Annually submit to the Commission the reports provided for by Article 26 of Council Regulation (EU) 2015/1589 (23). — Keep for at least 10 years from the date of award of the aid (individual aid and aid granted under a scheme) detailed records containing the information and supporting documentation necessary to establish that all compatibility conditions are met, and provide such records to the Commission, upon written request, within 20 working days or any longer period as may be fixed in the application.

For fiscal aid schemes:
In case of schemes under which fiscal aid is granted automatically based on tax declarations of the beneficiaries, and where there is no ex ante control that all compatibility conditions are met for each beneficiary, the Member State undertakes to put in place an appropriate control mechanism, by which it regularly verifies (for example once per fiscal year), at least ex post and on a sample basis, that all compatibility conditions are met, and to impose sanctions in case of fraud. In order to enable the Commission to monitor fiscal aid schemes, the notifying Member State undertakes to maintain detailed records of the controls for at least 10 years from the date of the controls, and provide them, on a written request, to the Commission within a period of 20 working days or such longer period as may be fixed in the request.

(23) Council Regulation (EU) 2015/1589 of 13 July 2015 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union (OJ L 248, 24.9.2015, p. 9).

10. Confidentiality

Does the notification contain confidential information (24) which should not be disclosed to third parties?

No

(24) For guidance see Article 339 TFEU that refers to “information about undertakings, their business relations or their cost components”. The Union courts have generally defined “business secrets” as information “of which not only disclosure to the public but also mere transmission to a person other than the one that provided the information may seriously harm the latter’s interest” in Case T-353/94 Postbank v Commission. ECLI:EU:T:1996:119, paragraph 87.

11. Other information

Where applicable, please indicate any other information relevant for the assessment of the aid.
There was an error in filling in the following section:
11.1. Where the text of the legal basis contains a stand-still clause, please indicate whether the date of granting of the aid will be: No option should be filled in.

12. Accompanying documentation

Please list all documents which are attached to the notification and provide paper copies or internet addresses which allow access to the documents concerned.

Documents attached:

EVALUACION.docx Annexes

ANNEX 2. National legal bases.docx

Comment on the attached documents:

The annexes cited in the format are included in a word document.

13. Declaration

Please confirm by ticking as appropriate:
I certify that to the best of my knowledge the information provided on this form, its annexes and its attachments is accurate and complete.

Place:
Madrid

Date:
12/7/2022

Name and position of signatory:

Juan José Fernández Sánchez
Head of Tax Adviser 1
DIRECTORATE-GENERAL FOR TAXES
MINISTRY OF FINANCE AND THE CIVIL SERVICE

14. Supplementary information sheet

14.1. Based on the information submitted in the general information form, please select the applicable supplementary information sheet to be completed:

Part III.8 Supplementary Information Sheet for the notification of an evaluation plan

14.2. For aid which is not covered by any supplementary information sheet, please select the relevant provision of the TFEU, guideline or another text applicable to State aid:

Please provide a justification for the compatibility of the aid falling in the categories selected in this point:

For practical reasons, it is recommended to number the documents provided as annexes and to refer to those document numbers in the relevant sections of the supplementary information sheets.

(25) communication from the Commission to the Member States on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to short-term export-credit insurance (OJ C 392, 19.12.2012, p. 1).

(26) guidelines on certain State aid measures in the context of the greenhouse gas emission allowance trading scheme (OJ C 158, 5.6.2012, p. 4).

(27) communication from the Commission on the application, from 1 August 2013, of State aid rules to support measures in favour of banks in the context of the financial crisis (OJ C 216, 30.7.2013, p. 1).

(28) communication from the Commission — Criteria for the analysis of the compatibility with the internal market of aid to promote the execution of important projects of common European interest (OJ C 188, 20.6.2014, p. 4).

14.3. Communication from the Commission on the application of the European Union State aid rules to compensation granted for the provision of services of general economic interest (OJ C 8, 11.1.2012, p. 4).

15. Supplementary information sheet

Part III.8 Supplementary Information Sheet for the notification of an evaluation plan

Member States must use this form for the notification of evaluation plans pursuant to Article 1(2)(a) of Regulation (EU) No 651/2014, and in the case of a notified aid scheme subject to an assessment as provided for in the relevant Commission Guidelines.
Please refer to the Commission Staff Working Document “Common methodology for State aid evaluation” for guidance on the drafting of an evaluation plan.

1. Identification of the aid scheme to be evaluated

1) Title of aid scheme:
Canary Islands Economic and Tax Regime ('REF') (Article 94 of Law 20/1991 of 7 June amending the tax aspects of the Canary Islands Economic Tax Regime and Articles 25 and 27 of Law 19/1994 of 6 July amending the Canary Islands' Economic and Tax Regime).

2) Does the evaluation plan concern:
(a) a scheme subject to the assessment referred to in Article 1(2)(a) of Regulation (EU) No 651/2014?

3) Reference of the scheme (to be completed by the Commission):

4) Please list any existing ex-ante evaluations or impact assessments for the aid scheme and ex-post evaluations or studies conducted in the past on predecessors of the aid scheme or on similar schemes. For each of these studies, please indicate the following information: (a) a brief description of the objectives of the study, the methodologies used, the results and conclusions and (b) the specific challenges that may have arisen in the evaluations and studies from a methodological point of view (e.g. availability of data) and which are relevant to the assessment of the current evaluation plan. If appropriate, please identify relevant areas or topics not covered by previous evaluation plans that should be the subject of the current evaluation. Please provide the summaries of such evaluations and studies in annex and, when available, the internet links to the documents concerned:

- OVERVIEW OF PREVIOUS WORK

With regard to evaluation, many academic articles have focused their analysis on the effects of the REF on the Canary Islands economy, as well as on the differentiated effects of the instruments making up this special tax regime.

The various evaluations carried out so far in the REF can be classified according to the following subjects (see ANNEXES 1 and 2 for more detail and details on the literature analysed).

- OUTERMOST REGIONS' COSTS AND FINANCING MODEL

The study carried out by the Centre for Economic Studies in Tomillo (2002) was carried out with the aim of identifying and quantifying these costs through an analysis of the macroeconomic structure of the Canary Islands economy and the opinion of a sample of Canary Islands entrepreneurs. The results of this work showed a particular intensity on the islands of transport costs, human resources, business travel and certain business services (marketing) compared to the mainland. The results of this work also showed the greater impact of the periphery on the regulatory stocks and financing costs of Canary Islands companies as well as on the industrial sector and micro-enterprises. According to the authors, the insularity factor would generate certain additional costs (multiplication of infrastructure and staff) as well as an increase in the cost of companies located on non-capital islands. On the other hand, the existence of 'infinite' costs (resulting from the existence and persistence of entry and exit barriers for firms in the markets) would lead to a permanent reduction in the potential growth capacity of the Canary Islands economy.

A new study by the Centre for Economic Studies in Tomillo (2010) updated the previous study, concluding that in 2008 the extra cost of the outermost regions of the Canary Islands' private (non-agricultural) business sector exceeded EUR 5.988 million, representing 13.8 % of its GDP, 16.6 % of its GVA and 7.6 % of its turnover. According to this study, there has been an increase in the quantifiable overcharge of the outermost regions between 1999 and 2008, from 12.1 % of Canary Islands GDP in 1999 to 13.8 % in 2008.

The work carried out by Fernández and Peñas (2011) focuses its analysis on studying the particularities of the Canary Islands' financing system, which is justified as an outermost region in the European Union. By examining these costs and the general framework of the Canary Islands' public finances, in relation to the macroeconomic dynamics of the Canary Islands, the authors conclude that the status of outermost regions would lead to an increase in the actual cost of providing public services and would raise certain expenditure items for companies located in the archipelago.
The geographical characteristics of the Canary Islands would also complicate its socio-economic development. The results achieved highlight the difficulty in quantifying precisely the need for capping and the inter-territorial compensation that should take place for this region and point out that the correspondence between the tax cost of the advantages enjoyed by the Canary Islands and its effectiveness in terms of development has not yet been proven, given the lack of data needed to carry out the analysis.
Blasco (2014) addresses the problems that customs and IGIC cause to the Canary Islands' trade balance. The author defends the existence of this tax, as it leads to the tax equalisation between the two territories, the peninsula and the archipelago. However, that tax makes it necessary, in the case of 'foreign trade', to have a customs document for this type of transaction, which nullifies the tax difference and increases the tax burden on such transactions, thereby losing the objective of the tax. It proposes three possible solutions: the use of Community VAT, but acknowledging the uniqueness of the Canary Islands as ORs, easing customs requirements; adopt a plaal regime similar to the Basque and Navarre regime, where customs would be eliminated, but a favourable tax regime would be maintained; Intra-Community IGIC.

UTE Eco-CoRe (2019) carried out a further update of the 2002 and 2010 cost overruns, collecting data on the additional costs in the private sector in the Canary Islands resulting from the outermost regions and double insularity. The report captured and quantified the additional costs due to: freight transport, differential stocks, business travel, idle productive capacity, water, energy, multiple and financial facilities. This report finds that these additional costs in 2016 account for EUR 5.228 million, or 8 % of business turnover in the Canary Islands. Freight transport is a key cost component (54.7 % of the total), followed by (quantitative) additional costs for idle production capacity (12.1 % of the total) and multiple installations. The most affected are those in the industrial sector and those on non-capital islands, which are exposed to double insularity.
On the other hand, Canarian companies report difficulties in finding suitable staff, gaining access to competitive suppliers and carrying out R & D & I activities due to their insularity and periphery.
The outermost regions and their handicaps are highly structural in nature, with little or no change over time, so it is understandable that the associated costs are maintained (with changes resulting from technological changes or changes in the production structure).

MACROECONOMIC IMPACT

With regard to the overall impact of the tax advantages included in the REF, empirical studies analysing their macroeconomic effects should be highlighted. Sosvilla et al., (2006) and Díaz et al. (2007) in the work carried out by adapting the HERMIN macroeconometric model to the Canary Islands economy, the results show a significant positive effect stemming from the specific fiscal and economic characteristics of the Canary Islands. In particular, the implementation of the REF would contribute positively to GVA growth and to increasing employment and labour productivity. The unemployment rate would also be reduced on average as a result of the REF and real income per inhabitant would increase significantly as a result of tax advantages. However, the REF would have some negative effect (such as its contribution to the increase in the inflation rate).

STUDIES ON THE EFFECTS OF THE RESERVE FOR INVESTMENTS IN THE CANARY ISLANDS

The Reserve for Investments in the Canary Islands (RIC), governed by Article 27 of Law 19/1994, is one of the main incentives of the REF as it has the capacity to stimulate investment and job creation on the islands. In this regard, there is work to analyse the effectiveness of this instrument in a differentiated and targeted manner.

González (2003) assesses the relationship of the RIC and the deduction for investments in the Canary Islands (DIC) in the level of tax burden in personal income tax and in the Canary Islands and conclude that these tax incentives increased the tax differential from 2,52 to 4,93 percentage points compared to Spain as a whole.

On the one hand, the Villar study (2004) seeks to assess the effects of the RIC tax incentive on the cost of capital and business investment in the Canary Islands over the period 1996-2001, thanks to the use of a King Fullerton investment model. The results of the study show that there is a sharp reduction in the cost of capital for firms in the Archipelago and an increase in investment items. Moreover, the cost of capital is significantly lower for Canary Islands companies than for their counterparts in the rest of Spain, and there is a divergence in the financing of island companies from those in the rest of the national territory.

Blázquez (2006), for its part, demonstrates, through an empirical analysis based on a sample of companies, the positive impact of the ICR between 1994 and 2002 on various variables such as the growth process of small and medium-sized enterprises operating in the archipelago, stimulating private investment, improving business competitiveness, creating jobs and social cohesion.

On the other hand, other works such as Dorta et al. (2007) they seek to make a descriptive diagnosis of the behaviour of undertakings with regard to the use and effects of the RIC, their degree of tax use, the use to which funds are put and their socio-economic impact. The aforementioned authors analyse the impact of the ICR on job creation, investment growth and the renewal of productive infrastructure, assessing its contribution to business diversification and the impact of the instrument on the economic and financial performance of companies. The results obtained show that, in the period under review (1994-2002), the positive effects of the RIC translate into a high correlation between the ratio of profits to ICN and corporate profitability rates, as well as a remarkable capitalisation process in Canarian companies and a certain financial equilibrium. The work also shows that there is a positive correlation between employment and the provision of the ICN.

Medina et al. (2009) assess the effect of RIC on SMEs' indebtedness and dividend distribution, finding a negative relationship between the use of RIC and the level of corporate indebtedness, because this reserve favours the use of own resources and investment in tangible assets for the company itself. Its results indicate that the use of the tax advantage negatively affects the distribution of dividends.

Déniz et al. (2009) they conduct a survey among the management staff of companies in the secondary sector in the Canary Islands Archipelago, enabling them to assess the environmental effects of the RIC. 16.40 % of respondents strongly agree or fully agree that the CRP has generally contributed to the improvement and protection of the environment, while 50 % consider that the current legislation does not take into account that certain investments covered by the ICN cause damage to the environment.

RELEVANT AREAS AND ISSUES TO BE INCORPORATED INTO THE REF EVALUATION PLAN CONSTITUTING INVESTMENT AID 2015-2023

With regard to the evaluation work carried out so far in the REF, the following observations should be made:

1. Despite the existence of macro and micro economic data for the period prior to the aid period under analysis, they are not available.

specific ex-ante evaluation work on the implementation of the REF scheme approved by Royal Decree-Law 15/2014 of 19 December 2013, which has been the subject of regulatory implementation by Royal Decree 1022/2015 of 13 November 2007. Therefore, in line with the provisions of Regulation 651/2014, an evaluation of the reform of the REF operated by both provisions will allow an analysis of the coherence, relevance and appropriateness of future measures to be taken in relation to the objectives to be achieved. This assessment will not be limited to the novelties incorporated in the REF for the period 2015-2020, but will cover the overall investment aid tax scheme.

2. On the other hand, there is no specific authority responsible for carrying out the evaluation or monitoring of the measures or instruments of the REF. However, it is in the interest not only of the European Commission but also of the Spanish authorities to gauge the effectiveness of the aid scheme and to correct any problems that may arise. In the case of a tax system governed by state laws, although the Canary Islands authorities have regulatory powers in some of their tax incentives, a working group has been set up with representatives of the Institute for Fiscal Studies, an autonomous body within the Ministry of Finance and the Civil Service, the Directorate-General for Taxation, the Tax Agency and the State Secretariat for Finance, and the Autonomous Community of the Canary Islands, which has prepared this evaluation plan. Subsequent developments will be led by the Institute for Fiscal Studies, which will be supported by the members of the previous working group, and may rely on external collaborations from public and private entities, as well as appropriate experts.

3. The evaluation work of the REF comes mainly from academia and has focused its methodologies on descriptive analysis of samples or surveys of entrepreneurs. With regard to the work analysing the macroeconomic impact and allowing to determine the effects of the measures on certain variables such as GVA, job creation, productivity and inflation, they only take into account the impact on two sectors, the Public and Private sectors. However, it would be advisable to incorporate evaluation tools to allow for a multi-sectoral analysis of the impact of the tax system. This need arises both from the fact that the costs of the outermost regions are different in nature and amount by industry and from the fact that the larger figures in the REF, mainly the RIC, make it possible to materialise investments by sector and with different impacts.

4. On the other hand, the analysis will be carried out mostly at micro level, since at macro level the total volume of aid (0.77 % of GDP) is not so significant that it can be imposed against the other variables to which the Canary Islands' economy is subject, and it is difficult to isolate the effect of the REF. However, it is envisaged to assess the indirect impacts of investment aid in the REF on the macroeconomic variables of the Canary Islands economy.

5. As regards the areas of evaluation, Regulation (EU) No 651/2014 concerns the obligation to submit evaluation plans for regional investment aid schemes with an average annual budget exceeding EUR 150 million. The carry-over for the years 2022 and 2023 of the part of the tax benefits of the REF which constitute

investment aid has been estimated at an average annual budget of EUR 293 million.

2. Objectives of the aid scheme to be evaluated (S162)

2.1. Please provide a description of the aid scheme specifying the needs and problems the scheme intends to address and the intended categories of beneficiaries, for example size, sectors, location, indicative number:

JUSTIFICATION FOR A TAX INCENTIVE SYSTEM

The REF derives from a long tradition dating back to the 15th century. In this regard, the enactment in 1972 of Law 30/1972 of 22 July on the Canary Islands' Economic Tax Regime established a compendium of measures to compensate for the costs of their geographical location and to promote the economic and social development of the islands. However, since its entry into force, the REF has undergone substantial amendments both to bring it into line with EU law and to create new or enhance existing ones, essentially contained in the following legislative provisions: Law 20/1991 of 7 June amending the tax aspects of the Canary Islands Economic Tax Regime and Law 19/1994 of 6 July amending the Canary Islands' Economic and Tax Regime. Both rules have been reformed on numerous occasions.

SOCIO-ECONOMIC NEEDS AND PROBLEMS

The development of the economy of the Canary Islands is conditioned by certain permanent characteristics, as set out in Article 349 TFEU.

The obstacles to the development of small island economies distant from developed continents have long been identified by literature. In other words, small size creates obstacles to achieving economies of scale and scope; remoteness incorporates transport and, in general, logistics costs; both facts — small and distant — involve information costs, problems with small input markets, and market concentration on the supply side.

In this way, small economies away from developed continents have little chance of gaining competitive advantages and specialise in economic activities where they have absolute advantages. This reduces the range of investment opportunities. Much more when these economies are highly vulnerable to external shocks, as described by the United Nations. Investment tax incentives aim to facilitate economic activities in a limited economic environment: (a) where the economy of the Islands has 'absolute advantages', these are economies of export of goods or services, such as certain agricultural goods and those related to demand for services derived from tourism; (b) where proximity to the market makes it possible to obtain competitive advantages, such as nearby trade and industry, provided that they derive advantages from proximity; (c) where companies have sufficient strength to stay in an environment vulnerable to external shocks. These factors, taken together, crystallise into small and medium-sized enterprises (in 2021, there are 148 companies with more than 250 employees, Directorio de Empresas, INE).

In these circumstances, it seems obvious that investment capacity cannot be large and that investment incentives cannot aim to be of a significant size. In other words, for similar levels of profits of two companies, located in the continuous territory, one in remote island territory, the efficiency of the incentive will be favourable to the former for strictly objective reasons.

These permanent obstacles to the development of small island economies distant from developed continents, as mentioned above, are recognised in the EU regulatory order, in the economic and fiscal specialities of the Canary Islands since the 15th and 16th century, and in the tradition of global economic analysis.

Such obstacles can be captured synthetically through certain indicators.

a) Indicators of economic activity

The evolution of the Canary Islands' GDP reveals a gradual decline in GVA growth capacity over the past two decades (cumulative average growth, BD Mores database, State Secretariat for Budget and Expenditure: 3 % decade 1990-1999; 1.5 % decade 2000-2009; 0.9 % decade 2010-2019) to the extent that the last decade reveals growth close to the stagnation of the economy.

The second indicator showing the importance of the obstacles to development identified in Article 349 TFEU is GDP per capita and the significant process of divergence with the Spanish and European Union economy (from 2000 to 2022, the Canary Islands increased from 97.8 % of GDP per capita to 73.6 % in Spain, INE; and from 95 % of EU average GDP to 62 %). This loss stems from the combined effect of loss of growth capacity and remarkable population growth (INE, population in 2000, 1.667.400; population in 2020, 2.244.500).

A third indicator concerns investment aid. This is the Fixed Gross Capital Training. This is an indicator of investment, as a result, determined by business expectations, which reveals volatility in the island economy and elasticity to the stages of the economic cycles (cumulative growth in the first decade of the cycle was -2.57 % and 2.57 % in the second decade (until 2019).

b) Indicators of employment

The economy of the islands has been paradox since the 1970s: permanent high unemployment rates, mainly for young people, and permanent growth in the labour force. The paradox is complemented by the fact that average wages in the Canary Islands fluctuate around 80 % of average wages in Spain as a whole. Although the coexistence of labour force growth, high unemployment rates and low wages, challenge the economic analysis budgets — hence paradox — the fact is that labour demand is not sufficient to meet the demands of labour supply.

One aspect that feeds the paradox mentioned above must be taken into account: the high employment intensity of economic growth. In other words, due to its specialisation patterns, the economy of the Canary Islands has a high short-term elasticity of employment relative to GDP growth rates (1.47 %). Of this kind, employment is growing rapidly in the expansion phases, but in the moderate growth phases it is just as easy to destroy.

The consequence of this paradox is that unemployment rates remain far removed from full employment. One more issue deserves to be related: as a large part of the labour force growth stems from migration flows from other Autonomous Communities, the high unemployment rates in the Canary Islands have the effect of reducing unemployment rates in other regions, which must be assessed for the purposes of investment incentives.

DESCRIPTION OF INVESTMENT AID UNDER REF

Despite the numerous legislative changes throughout the period in which it was implemented, the REF has been composed of a series of measures which form the current core of this scheme and whose general outlines have remained constant. The main measures which form part of this aid scheme and qualify as investment aid are as follows: Incentives for investment, Reserve for Investments in the Canary Islands ('RIC') and Income Tax Deductions (hereinafter 'CID'). The following are described in summary form:

INCENTIVES FOR INVESTMENT

Article 25 of Law 19/1994 provides for the application of tax incentives to investment, evidenced by the exemption from the tax on capital transfers and documentary legal acts (ITP and AJD) for companies established in the Canary Islands that improve their productive capacity, excluding investment in certain properties. Under no circumstances is it applicable to employers or professionals who are natural persons.

The tax incentives also take the form of exemptions from the Canary Islands General Indirect Tax (IGIC). The IGIC is an indirect State tax levied on the supply of goods and services by traders and professionals and on imports of goods into the Canary Islands. Its rules and methods of application are very similar to VAT, with some specialities to adapt to the specific features of the Canary Islands and which respect the maintenance of the exemption for consumption explicitly regulated in the Statute of Autonomy of the Canary Islands.

The IGIC rules offer different additional advantages compared to the VAT system, such as lower tax rates; the application of a zero rate to certain essential goods and services and the exemption of supplies of goods in the course of a retail trade.

The incentives refer to the exemption in the IGIC for companies that do not have the right to fully deduct this tax from the input tax paid on the acquisition or import of capital goods or intangible fixed assets located and used in the Canary Islands, as part of an initial investment, provided that it is made by a company established in the Canary Islands, or at least with a permanent establishment in the Archipelago. The capital goods must be new, unless the person acquiring or importing the goods is of a small size which may be used. This is a full exemption for transferors of capital goods and intangible assets.

These two incentives constitute investment aid.

RESERVE FOR INVESTMENTS IN THE CANARY ISLANDS (RIC)

Article 27 of Law 19/1994 sets out the characteristics of this tax advantage for entrepreneurs or professionals who are taxpayers for corporate tax or personal income tax, which is intended to encourage productive business investment and the creation of public infrastructure in the Canary Islands. The aim of the CRP is to stimulate the investment effort from own resources, i.e. the self-financing of the investments of companies operating in the Canary Islands, thereby helping to overcome a problem that was endemic in the Canary Islands. The CRP, in its natural or general configuration, responds to the freezing of profits in an unavailable reserve, which will then materialise in future productive investments.

Depending on the purpose of the allocations made to the RIC, this incentive will be in the nature of investment aid or operating aid. Article 36 of Royal Decree 1758/2007 of 28 December 2007 clarifies both situations.

SPECIAL DEDUCTION SCHEME FOR INVESTMENTS IN THE CANARY ISLANDS (DIC)

The deduction for investments in the Canary Islands is a tax incentive, equivalent to that in operation in the national territory, but with a higher intensity of the tax benefit obtained. All companies and other legal entities subject to corporate tax may benefit from this incentive for investments they make and stay in the Canary Islands provided that they are domiciled or have a permanent establishment on the islands. Natural persons carrying out business and professional activities in the archipelago can also benefit.

The rates applicable to investments made must be 80 to 100 higher than under the common scheme, with a minimum spread of 20 percentage points. The limits for the deduction are 80 per 100 higher than under the common scheme with a minimum differential of 35 percentage points. Where the Community rules on State aid so permit and the investments are made in La Palma, La Gomera or El Hierro, as referred to in Law 2/2016 of 27 September, the minimum ceiling of 80 per 100 shall be 100 per 100, with a minimum differential of 45 percentage points.

As with the RIC, depending on the nature of the investment to which this incentive is applied, it will be classified as investment aid or as operating aid.

Table 2.1 (beneficiaries of aid by size, sector, location, indicative number and amount — included as Annex 3) shows the beneficiaries of each of the aid described, the approximate size of the aid, the sectors or sectors targeted, their location and an indicative number and amount obtained from the tax statistics of the National Tax Administration Agency (AEAT).

2.2. Please indicate the objectives of the scheme and the expected impact, both at the level of the intended beneficiaries and as far as the objective of common interest is concerned:

OBJECTIVE OF COMMON INTEREST

The Canary Islands' status as an outermost region (ORs) is recognised in Article 349 (1) TFEU.

These regions are a unique reality, forming a whole within the European Union, which differs from the other European regions, as they are essentially characterised by:

A great distance from the European continent, exacerbated by insularity, even by double insularity or isolation. Isolated in their geographical environment and significantly excluded from major trade flows, the ORs face the impossibility to fully benefit from the benefits of EU trade;

A very small local market and thus economic dependence on a small number of products;

Adverse topographical and climatic conditions, reduced surface area, vulnerability to climate change and extreme weather events;

A geographical environment composed exclusively of EU third countries or a fully isolated space, two strategic issues in terms of integration and cooperation;

The persistence, accumulation and combination of these characteristics are structural constraints that severely impair the economic, social and territorial development of these regions. This situation justifies special and differential treatment recognised in EU law.

This special and differentiated treatment has been reflected by the European Commission over the years in successive Communications on the Community strategy for the ORs (Commission Communications of 2000, 2004, 2007, 2008, 2012, 2017 and 2022).

The guidelines laid down by the Commission have, in this respect, been the guiding thread of a development strategy for the ORs, designed around three axes:

- Accessibility: reduction of accessibility problems and compensation for other handicaps characteristic of the ORs;
- Competitiveness: improving the general conditions for economic and social development;
- Regional integration in the respective geographical areas of membership, with the aim of expanding the natural area of socio-economic and cultural influence of the ORs.

These three axes have been joined by other axes, such as strengthening the social dimension, through measures for job creation, improving skills and educational levels, reducing the drop-out rate, increasing the number of graduates in higher education, combating poverty and improving access to health care and social inclusion.

In this context, Article 349 TFEU expressly allows for the modulation of European legislation, inter alia on State aid.

The tax incentives in the REF constitute State aid and, for the most part, fall within the regulatory framework laid down in the Regional Aid Guidelines (RAG) and the General Block Exemption Regulation (Regulation (EU) No 651/2014), which contain specific exceptional provisions in favour of the ORs.

From 1994 until the end of 31 December 2013 (extended until the end of 2014), the REF aid was successively notified to the European Commission in order to comply with the current Article 108(3) TFEU in the framework of the relevant RAG. By contrast, from the period 2014-2020, the reference standard for the Canary Islands REF is the GBER, and specifically, as regards investment aid, Article 14 of the GBER.

The objective of common EU interest to which the REF scheme responds can be deduced from the Explanatory Memorandum to Law 19/1994, which states that the purpose of all the tax incentives contained in the REF is to establish a system that boosts Canary Islands economic activity by creating jobs, boosting its various island areas, offering and regulating a focus on entrepreneurship and the presence of external investors.

Law 19/1994 and its successive adaptations and amendments, such as Royal Decree-Law 15/2014 and Law 8/2018, of 5 November, propose different types of measures to achieve these general objectives of common interest, in particular measures of an economic and fiscal nature, and within the latter, tax incentives that constitute aid for initial investment and others that constitute operating aid.

In this context, and more specifically, the general objectives of the investment tax incentives that are the subject of this evaluation plan can be summarised as follows:

Economic growth in the Canary Islands
The creation of jobs
The increase in private investment
Capitalisation of Canary Islands companies

In Table 2.2. (General and specific objectives and expected impacts of the investment aid in the REF — Annex 4) detail the general (objectives of common interest) and specific (in relation to the beneficiaries) objectives as well as the expected impacts of the fiscal measures included in the REF.

2.3. Please indicate possible negative effects, on the aid beneficiaries or on the wider economy, that might be directly or indirectly associated with the aid scheme (S163):

The application of fiscal investment aid in the REF may entail a number of effects which directly or indirectly limit the achievement of its ultimate objectives. The following are those that are considered most relevant:

- The scheme for fiscal investment aid in the REF consists of a number of instruments that are essentially pro-cyclical in nature. As these incentives ultimately reduce effective taxation on corporate profits, in the economic downturn and crisis, their impact is very limited and, during crisis periods, they do not seem to play the desirable anti-cyclical role.
- For the same reason as outlined above, the measures are biased towards the most profitable and competitive companies (which benefit most from the incentives) and may lead to some fiscal regression, indirectly.
- It may lead to price increases for capital goods whose supply is limited. This was the case for buildings, on which the RIC boosted the rise in prices. Once detected, it was corrected by successive amendments within the period under review.
- The package of measures included in the scope of this analysis targets businesses, drivers of economic growth, benefiting citizens indirectly through employment or corporate profit sharing.

2.4. Please indicate: (a) the annual budget programmed under the scheme, (b) the planned duration of the scheme (S164), (c) the aid instruments and (d) the eligible costs.

See in the next question.

2.5. Please provide a summary of the eligibility criteria and the methods for selecting the aid beneficiaries. In particular, please describe the following: (a) the methods used to select beneficiaries (e.g. scores), (b) the indicative budget available for each group of beneficiaries, (c) the likelihood of the budget being exhausted for certain groups of beneficiaries, (d) the scoring rules, if used in the scheme, (e) the aid intensity thresholds and (f) the criteria that the granting authority will take into account when assessing applications.

Questions 2.4 and 2.5 are dealt with together below:

BUDGET

The form notified to DG COMP for investment aid under the General Block Exemption Regulation in the REF indicates that the annual budget foreseen for investment aid in the REF has increased in recent years to EUR 303 million in 2019, although it is estimated that, due to the crisis that started in 2020, this figure may be reduced.

DURATION OF THE AID

The aid extended until 31 December 2023 is aid which has been in force in the period 2015-2022 and is intended to be extended until the end of the period of validity of the regional aid map (2027).

INSTRUMENTS, ELIGIBLE COSTS, CRITERIA FOR SELECTING BENEFICIARIES AND AID CEILINGS

a) Investment incentives for indirect taxation

Regulation
Article 25 of Law 19/1994

Instruments and beneficiaries
The investment incentives are structured through the following tax advantages provided exclusively for entities subject to corporate tax with tax domicile in the Canary Islands and those operating in the Canary Islands through permanent establishments.

Double exemption in ITP and AJD, in the form of corporate transactions (the formation and increase of capital), subject to the capital raised being used in the acquisition or import of capital goods or intangible fixed assets, provided that it is made in the context of an initial investment.

b) Reserve for investments in the Canary Islands (RIC)

Regulation
Article 27 of Law 19/1994

Instruments and beneficiaries
The contribution to the ICN represents tax advantages from which, in relation to the activity carried out in establishments located in the Canary Islands, all companies and other legal entities subject to corporate tax and natural persons subject to personal income tax may benefit, irrespective of whether their net income comes from business or professional activities and is calculated using the direct estimation method.
The essential condition in order to benefit from the CRP is that the company, regardless of where it is domiciled, has a permanent establishment in the Canary Islands. Permanent establishment means all premises or places of work in which, on a continuous or regular basis, it carries out all or part of its activities with the power to contract, in the name and on behalf of the non-resident person or entity.

Application and calculation
The CRP allows the tax base to be reduced by up to 90 % of the non-distributed profits in corporate tax by the amount that establishments located in the Canary Islands allocate their profits to the reserve for investments in the Canary Islands. Non-distributed profits are those intended to cover the company's reserves. The calculation of this variable is the result of deducting the Gross Accounting Benefit for the year in which the RIC, the Legal Reserve and the dividends to be distributed have been set aside. The RIC can also be applied to personal income tax. In that case, it would result in a deduction from the full amount of personal income tax in respect of the net operating income allocated to the RIC. The calculation is made by applying the average tax rate to the contribution to the RIC, subject to the limit of 80 % of the portion of the full tax corresponding to the income.

New elements introduced by Royal Decree-Law 15/2014
The amendments introduced by the latest amendment of the REF, while maintaining the current structure and all investment possibilities, provide for the following improvements:

A new line for job creation not linked to previous investment is established. Subject to conditions: (1) there must be a net staff increase; (2) a maximum of 50 % of the envelope; (3) the increase in the workforce must be maintained for 3 years (SMEs), 5 years (rest) and (4) shall be deemed to have occurred only during the first 2 years following the increase in the workforce and shall be taken into account, in each tax period, by the amount of the average cost of gross wages and compulsory social contributions corresponding to that increase. (5) the maximum average cost per employee charged to the CRP will be less than EUR 36.000.

There is an extension of indirect investment possibilities through financial securitisation of projects with the aim of involving financial institutions in the structuring of investments and attracting RIC investors in larger strategic projects.

The concept of a declining tourist area is eliminated, and investment in land is permitted in all renovation projects (irrespective of the location of the building).

Certain quantitative restrictions (as a minimum of EUR 750.000) for the investment of the RIC in the SAC are removed.

Certain formal obligations such as the Investment Plan are relaxed and reduced, as well as a significant reduction in the sanctioning regime for failure to comply with formal obligations, which negatively affected small businesses by the possibility of imposing fixed pecuniary fines, which could go beyond the tax savings generated.

Clarification is made on the inclusion of all accounting profit, including that generated by the transfer of non-assigned assets, in the allocation base of the CRP.

New developments introduced by Law 8/2018
Law 8/2018 introduced a number of changes to the regulation to the CRP referred to in Article 27, with the aim of updating it in the light of the major structural changes in the Spanish and international economy that have occurred since the adoption of Law 19/1994, thus making it possible to achieve a greater degree of compliance with the objectives. In addition, Law 8/2018 includes other improvement amendments which are based on experience gained during the years of operation of the Act and which aim to improve its operability. Among these changes, reference may be made to the following:

New details have been introduced in the classification of retained earnings. In particular, it is stated that the profit resulting from the transfer of assets, the acquisition of which would have resulted in the realisation of the investment reserve with profits from tax periods from 1 January 2007, is not to be regarded as an undistributed profit. It is also stated that, in the case of assets which were only partially earmarked for the realisation of the reserve, from that date onwards, the pro rata part of the reserve corresponding to the acquisition value which would not have resulted in the realisation of the reserve will be regarded as an undistributed benefit.

As regards the investments on which the reserves must be made, it is stated that, under no circumstances can the reserve for investments in the Canary Islands in the renovation or renovation of buildings intended for housing for tourism purposes materialise. At the same time, the possibilities for affecting the land in which the investment is made include socio-health activities, residential centres for the elderly, geriatric centres and neurological and physical rehabilitation centres.

Finally, with regard to the assets in which the investment takes place, it is added that intellectual property rights will be understood to be located and used in the Canary Islands, in so far as they have been created with the resources of the entity located in the Canary Islands or acquired from third parties for processing, provided that their economic exploitation is directed, carried out, contracted, distributed, organised and invoiced from that area. It is also stated that the concept of will be that provided for in the sectoral legislation protecting these rights and will require the right resulting from the transformation to become operational in the same tax period as the acquisition of the original right from third parties.

New elements incorporated by Royal Decree-Law 31/2021 of 28 December 2007:
Following the notification by Spain to the European Commission on 1 December 2021 of its Regional Aid Map for the period 2022-2027, there is a need to amend several temporal references contained in Law 19/1994, so that the legal references have the same temporal scope as the period of validity of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, applicable to this type of tax measure. This amendment is made by Royal Decree-Law 31/2021 of 28 December, which reworded Article 27(11) of Law 19/1994, stating that taxpayers may make advance investments, which will be considered to be the realisation of the reserve for investments made out of profits made in the tax period in which the investment is made or in the three subsequent tax periods. Such allocations shall be made out of profits made up to 31 December 2023.

c) Deduction for investments in the Canary Islands (DIC)

Regulation
Article 94 of Law 20/1991

Beneficiaries

The Deduction for Investments in the Canary Islands is a tax incentive which has been applied only in the Canary Islands since 1 January 1996. This special deduction scheme for investments in the Canary Islands is applicable to the following persons and entities:

All companies and other legal entities subject to corporate tax on investments they make and stay in the Canary Islands, provided that they are domiciled in the Canary Islands and if they are not, have at least one permanent establishment on the islands. Natural persons carrying out business and professional activities in the Canary Islands, provided that they meet the conditions imposed by the rules on personal income tax for the application of the investment incentives established in Corporate Tax.

Calculation

The deduction for investments in the Canary Islands is a fiscal stimulus measure which operates as a reduction in the full amount of tax following the application of the deductions for double taxation and possible rebates. In general terms, the amount of the deduction is calculated in each case by applying the percentage of deduction legally stipulated for each type of investment to the total amount of the investments made.

Rates applicable

The higher intensity of the tax benefit of the Canary Islands special investment deduction scheme is defined in the following characteristics: The applicable rates on investments made shall be 80 % higher than those of the general scheme, with a minimum spread of 20 percentage points.

With regard to the limit applicable, it shall be 80 % per 100 higher than that laid down in the general scheme, with a minimum differential of 35 percentage points.

The deduction for investment in the Canary Islands may also be made on used fixed assets, provided that they have not previously benefited from the deduction for investments under the general scheme and that they represent a technological improvement for the company.

In accordance with the provisions of Law 8/2018, in the islands of La Palma, La Gomera and El Hierro, the minimum ceiling of 80 % shall be increased to 100 % and the minimum differential shall be increased to 45 percentage points when the Community rules on State aid so permit and in the case of investments covered by Law 2/2016 of 27 September and other laws on measures for the organisation of the economic activity of these islands.

Limits on deduction

The deductions for investments in the Canary Islands will be applied in compliance with the limit of 55 by 100 on the full amount, less deductions to avoid double taxation and rebates. Notwithstanding the foregoing, that combined limit of 55 in 100 shall be raised to 90 % of 100 when the amount of the deduction for scientific research and technological innovation provided for in Article 35 of the Law on Corporation Tax exceeds 10 % of the full tax, less deductions in order to avoid domestic and international double taxation and rebates.

2.6. Please mention specific constraints or risks that might affect the implementation of the scheme, its expected impacts and the achievement of its objectives:

In the event of sustained growth in the Canary Islands economy leading to the generation of business profits, increasing the allocations to the ICN, the estimated budget of the REF will need to be updated to take account of the implementation of the investment aid from the REF for a large number of companies and for larger amounts, as the budget notified is based on data obtained in an adverse economic context.

S162. Beyond providing a general description of the objectives and eligibility rules of the scheme, the aim of this section is to assess how the eligibility and exclusion rules of the scheme may be used to identify the effect of aid. In some cases, the precise eligibility rules may not be known in advance. In those cases the best available expectations should be provided.

S163. Examples of negative effects are regional and sectorial biases or crowding out of private investments induced by the aid scheme.

S164. Aid schemes defined in Article 1(2)(a) of Regulation (EU) No 651/2014 are excluded from the scope of the Regulation six months after their entry into force. After having assessed the evaluation plan, the Commission may decide to extend the application of the Regulation to such schemes for a longer period. Member States are invited to precisely indicate the intended duration of the scheme.

3. Questions of the evaluation

3.1. Please indicate the specific questions that the evaluation should address by providing quantitative evidence of the impact of aid. Please distinguish between: (a) questions related to the direct impact of the aid on beneficiaries, (b) questions related to indirect effects and (c) questions related to proportionality and appropriateness of the aid. Please explain how the evaluation questions relate to the objectives of the scheme:

The overall objective of the assessment of a State aid scheme is to assess the positive and negative effects of that scheme, the extent to which the objectives initially set have been achieved and what negative effects on markets and competition may have occurred. The evaluation goes beyond monitoring and using indicators and should answer a number of initially established questions to answer the results achieved.

The questions differ depending on when the evaluation takes place. The controller should already consider from the original design whether the reformed measures can achieve the proposed objectives and to what extent they will have an impact on them. Similarly, at the end of the period during which those measures have been implemented, the same person responsible will be able to check whether or not those departure cases have actually had the anticipated effect.

The amendment of the REF for the period 2015-2020 (extended until 2023) leads to higher tax incentives, which are geared towards achieving the following objectives:

- Economic growth in the Canary Islands
- The creation of jobs
- The increase in private investment
- Capitalisation of Canary Islands companies

For example, as regards changing the incentives for investment, it could be considered ex ante what the expected impact on investment in intangible fixed assets will be before the measure is implemented. One of the questions in this case would be, does the modification of these incentives have an effect on the investment of the Canary Islands companies and what is the magnitude of this effect?

The evaluator should not only ask the question at the beginning. After the end of the period 2015-2023 together with the necessary extension in time to continue to identify the effects of the measures taken in that period, can it be envisaged that the change in these incentives has had an effect on the investment of the Canary

Islands companies and what was the extent of that effect?

The evaluation cycle needs to use known past experiences as a starting point for public intervention. Thus, the 2015-2023 REF needs to know which assessments have been made in previous periods, to focus on problems that were not adequately addressed and to serve as a starting point for the years to come. Annex 1 to this document provides a list of the evaluations that have been carried out in other periods of the REF.

The evaluation, in addition to taking into account the timing of the question of public action, should structure its questions in order to be able to respond to more comprehensive and strategic objectives but also to specific objectives. It is clear that the REF as a whole promotes, among other things and as mentioned above, job creation, but, in addition to questioning about this overall objective, it should consider the analysis towards more specific and specific objectives such as employment by sector or by type of enterprise. Therefore, evaluation questions are a crucial step towards drafting at the beginning of any one of them, as robust answers cannot be expected afterwards if it is not clear what is being answered. This is not the case because of the overall impact of the full reform of the REF on growth and employment in the Canary Islands, as it is asked about the concrete effects of the new deduction for investments on the African continent. It is clear that if the application of a specific measure leads to an increase in production and sales, contributing to the economic growth of the Autonomous Community, it is contributing to the overall growth that all the measures can produce as a whole. The two evaluations are useful and necessary, although it is true that since the start of the economic crisis in 2008, the result orientation demanded by public authorities has emphasised the need to include impact assessments at microeconomic level to conclude the effects of the intervention on the basis of the evidence shown by the data, and which can show the difference between receiving and not receiving aid from groups of individuals or companies benefiting from and not benefiting from public action.

In this respect, the evaluation will identify and quantify the positive and negative impacts of investment aid in the new REF on various macroeconomic and microeconomic indicators, taking into account the guidelines established by the European Commission for the assessment of State aid. In line with the Commission's guide, two types of impacts are identified:

- Direct impacts: these are those impacts that can be quantified in a more robust way, i.e. these are those impacts where the causality between the action and the effect of the action can be observed at beneficiary level. In this respect, the evaluator can quantify the impact as the difference between the outcome after the action and the outcome that would have occurred in the absence of the action.

(counterfactual).

- Indirect impacts: these are those impacts that occur at the highest level of aggregation and under which potential spill-over and crowding out effects are combined. Their assessment requires methodologies different from those used to quantify direct impacts and their interpretation requires an analysis of interdependencies where the multi-sectoral perspective is essential to understand the impact of the programme.

Figure 3.1 is included as ANNEX 5. Chain of action in amending and extending the 2015-2023 REF.

Causality in the case of the REF is therefore presented as a chain of action under which a series of inputs relate, in this case, to the various amendments to the REF and which, directly and indirectly, will have a certain impact in terms of job creation, productive diversification and intensive investment in technology.

Causality is one of the pillars on which the theory of change is based and on which much of the assessment theory is based.

In line with the European Commission's guide to State aid evaluation, the evaluation questions and their ranking would be as follows:

1. Questions to assess the direct impact of the aid on beneficiaries:

a. Has the aid had a significant effect on the development of the action by the beneficiaries? (incentive effect)
b. Have you had any impact on the situation of the beneficiaries?
c. Have you produced the expected effects?
d. Have the beneficiaries been affected differently?
e. Has the programme contributed to the policy objective set?

2. Questions to assess the indirect impact of the programme:

a. Has the programme led to spill-over effects on other businesses?
b. What are the indirect effects of the REF on the macroeconomic variables of the Canary Islands?
c. Has the programme contributed to the policy objective set?

Table 3.1, which is attached as Annex 6 (Some examples of questions for the evaluation of investment aid in the REF according to the type of impact and relation to the objectives of the programme) defines and establishes the relationship between the questions that the evaluation of the REF will answer quantitatively with the key objectives of the REF, as well as a ranking of the questions according to the type of impact they seek to quantify.

Table 3.1 Some examples of questions for the evaluation of investment aid in the REF according to the type of impact and relation to the objectives of the programme.

It is important to note that these questions can be asked at the beginning of the period in which the reform takes place, i.e. ex ante, during the intervention (2019, for example) or at the end of the intervention, ex post. In fact, several evaluations will be considered in paragraph 5 spread over the years covered by the period.

Finally, and in addition to producing four evaluations spread over the whole period, the plan contains a monitoring report in 2023 which will assess, inter alia, the evolution of the indicators that have been chosen to assess the impact of the whole plan.

4. Result indicators

4.1. Please use the following table to describe which indicators will be built to measure outcomes of the scheme, as well as the relevant control variables, including the sources of data, and how each result indicator corresponds to the evaluation questions. In particular, please mention: (a) the evaluation question in question, (b) the indicator, (c) the source of the data, (d) the frequency of data collection (e.g. annual, monthly, etc.), (e) the level at which the data are collected (e.g. at company, establishment, region level, etc.), (f) the population covered in the data source (e.g. aid beneficiaries, non-beneficiaries, all enterprises, etc.).

Question of the evaluation	Indicator	Source
Do the investment aid as a whole facilitate job creation?	Number of jobs created	Administrative records of the tax administration (tax statistics of the AEAT and model 190 of the AEAT)

Frequency	Level	Population

Annual	Company	All companies

Question of the evaluation	Indicator	Source
Does the way in which the ICM is implemented in terms of job creation make it easier for the beneficiary companies to generate new jobs?	Number of jobs created in beneficiary enterprises	Administrative records of the tax administration (Statistics of Is from the AEAT and Model 190 of the AEAT)
Frequency	**Level**	**Population**
Annual	Company	Beneficiaries

Question of the evaluation	Indicator	Source
What is the effect of the investment aid in the REF on the productive structure of the Canary Islands?	Number of enterprises under the different CNAE categorisation	Administrative records of the tax administration (Statistics of Is from the AEAT and Model 190 of the AEAT)
Frequency	**Level**	**Population**
Annual	Company	All companies

Question of the evaluation	Indicator	Source
To what extent do investment aid under the REF incentivise research and development? Does it boost the intensity of technological innovation?	R & D expenditure in high-tech sectors Intensity of technological innovation (Innovative expenditure/Turnover x100)	Official bodies producing statistics (PITEC Data Panel or Statistics on R & D activities of the NSI
Frequency	**Level**	**Population**
Annual	Company	Enterprises with more than 200 employees

Please explain why the chosen indicators are the most relevant for measuring the expected impact of the scheme:

The impact of amending the investment aid in the REF will be measured on the basis of different methodologies that relate to the type of impact to be quantified. This requires a certain system of indicators to allow not only to assess the impact of the programme but also to be able to assist in its monitoring and evaluation.

In this respect, the result indicators for quantifying the impacts of the programme on the basis of the evaluation questions defined above, as well as the statistical source from which they can be obtained, are presented in Table 4.1. It should be noted that information on them may be obtained from administrative records, statistics published by official bodies, management data from the REF itself and statistics from the design of ad hoc surveys where it is not possible to obtain relevant information on the result variables of the intervention.

This selection of result indicators should be based on an analysis of the properties that they would be desirable to fulfil, being accurate, unique and not repetitive. In this respect, the proposed indicators should be:

- Relevant (reflect the degree of fulfilment of the operations and the objectives of the REF).
- Normative (they have a clear and normative interpretation).
- Robust (they are reliable, statistically validated, as far as possible, based on internationally recognised standards and methodologies).
- Cost (the collection of information for the production of the indicators must be at a cost that is correlated with the resources used for the evaluation).

The assessment of the properties of the indicators proposed in the table above is included as Annex 7 (Table 4.1. Properties of the indicators).

Overall, these result indicators have a high level of relevance. However, when the objective they accompany is not very specific and are measuring the indirect impact, it is more difficult to assume that when a measure is carried out the value of the indicator will change as a result of public action. This is why it is important to stress once again the importance of not limiting the evaluation to monitoring indicators and carrying out impact assessments where, with a group of beneficiaries and a group of beneficiaries that is not, it is possible to answer the question of “what would have happened in a particular result variable, such as the investment induced in R & D, had the measure not existed”.

5. Envisaged methods to conduct the evaluation

5.1. In light of the evaluation questions, please describe the envisaged methods to be used in the evaluation to identify the causal impact of the aid on the beneficiaries and to assess other indirect impacts. In particular, please explain the reasons for choosing those methods and for rejecting other methods (for example, reasons related to the design of the scheme) (S165):

Report on the methods to be used in the assessment to determine the causal impact of the aid.

In order to meet the regulatory requirements for evaluation and monitoring of the REF, it is proposed that a monitoring report be drawn up to assess the progress of each of the measures on the basis of the indicators set out in point 4. If the system of indicators does not make it possible to assess the causal impact of the aid, some method will be used to eliminate the selection bias between participants and non-participants, such as matching (or pairing) methods.

5.1.1 Evaluation of Investment Reserve in the Canary Islands in the IS:

A counterfactual impact assessment (treatment and control group) will be carried out to determine the effectiveness of this tax benefit, assessing the extent to which the improvement in the result variables of a company, as a percentage of own resources, is due to the application of the investment reserve, compared to the situation that these companies would have had if the CRP were not used.
Possible evaluation design: considering the possibility of using this tax benefit strategically and sequentially for different periods by companies, it is proposed to use the Marginal Structural Models (MSM) method to estimate the effect of using the Reserve for Investment on the level of companies' own resources and, if possible, on different types of realisation of the RIC, such as employment, assets or shares or other financial instruments.

5.1.2 Assessment of Deduction for Investments in the Canary Islands in the IS:
A counterfactual impact assessment (treatment and control group) will be carried out to determine the effectiveness of this tax benefit, assessing to what extent the improvement in the result variables of a company, such as employment or turnover, is due to the application of the investment deduction, compared to the situation in which companies did not use this tax benefit.
Possible evaluation design: considering the different intensity in the use of this deduction, which is much higher in the Canary Islands than in the rest of the tax territory, it is proposed to use the instrument variables method. The aim is to analyse how the use of the deduction affects (or not) the proposed output variables.

5.1.3 Assessment of investment incentives for indirect taxation:
A direct impact assessment is envisaged. Both the method to be used (differences in differences, regression in discontinuity, composite indicators, instrument variables or propensity score matching) and the design of the evaluation will depend on the quality and availability of the data.

5.2. Please describe precisely the identification strategy for the evaluation of the causal impact of the aid and the assumptions on which the strategy relies. Please describe in detail the composition and the significance of the control group:

One of the most complicated aspects of developing an impact assessment is to choose an appropriate control group that is as close as possible to the group of beneficiaries of the measure in order to be able to attribute to the measure the reason for the differences between the result variables we make between the two groups, such as the level of sales.

The method that ensures an ideal control group to be able to compare with the beneficiaries of the measure (s) is the one that has been randomly assigned before public intervention. In other words, if a group of beneficiary companies were selected randomly, those not selected would be a good counterfactual because the selection was random and significant differences between the two groups should not be expected.

In reality, it is difficult to have an experimental design and participation is bound up by a bias that makes the two groups not comparable at the outset. This bias may come from the administration itself, which determines the companies' eligibility criteria, or from the company itself, which can in some cases be excluded for various reasons.

In this case, the control group will be constructed by identifying the companies that were not beneficiaries of the investment aid in the REF. In order to correctly apply the matching methodology, both samples (beneficiary and non-beneficiary companies) must be as similar as possible in terms of observable characteristics. For this purpose, undertakings shall be paired according to the value of their SMP. In other words, according to their likelihood of being beneficiaries of the REF.

5.2.1 Evaluation of Investment Reserve in the Canary Islands in the IS:
In view of the endogeneity problems associated with the use of RIC by companies, it is proposed to use other company characteristics. The evaluation diagram is:
X (Characteristics) — > D (participation, use RIC) — > Y (variable result)
Where:
- Control variables (X): year of creation, CNAE, company size, turnover, etc.
- Participation variable (D): dicotonic variable taking value 1 if the enterprise uses RIC and 0 otherwise.
- Result variable (Y): result showing the effect of the measure analysed as the companies' own resources, and on the

if possible, on different types of realisation of the RIC such as employment, assets, etc.

5.2.2 Assessment of Deduction for Investments in the Canary Islands in the IS:

In view of the problems of endogeneity in the use of deduction by undertakings, it is proposed that the geographical location of the undertaking be used as an instrument. The assessment diagram is as follows:

Z (instrument) D (participation, use of deduction) Y (variable result)

Where:
- Instrument variable (Z): the dicotonic variable takes a value of 1 if the company is located in the Canary Islands and 0 if it does not.
- Participation variable (D): dicotonic variable taking value 1 if the enterprise uses the deduction and 0 otherwise.
- Result variable (Y): result showing the effect of the measure analysed, employment, turnover, etc.

5.3. Please explain how the envisaged methods address potential selection bias. Can it be stated with sufficient certainty that the differences observed in the results of the aid beneficiaries are due to the aid?
To avoid selection bias, the SMP methodology ensures that companies benefiting from the REF are compared to other companies that have not been, but with very similar observable characteristics. These observed variables are assumed to be correlated with the impact of public support. Thus, if the effect of observable variables is controlled, the differences between the results of a beneficiary undertaking and its non-beneficiary partner will be the cause of the investment aid action in the REF.

5.3.1 Evaluation of Investment Reserve in the Canary Islands in the IS:
In order to carry out the effectiveness assessment, it is necessary to use impact assessment techniques using a treatment group (using the RIC) and a control group (they do not use the RIC), using only information from companies in the Canary Islands. For both groups, information on 'products' and 'results' is needed for the period 2010 to 2023 For 'products' information is required at company level and per year of the enterprise identifier (anonymised), when I use the reservation, the amount, as well as data related to the characteristics of the company as the year of creation, CNAE, size, among others. Performance reporting requires information per undertaking per year on own resources and, if possible, disaggregation of the realisation of the reserve into different concepts: assets, employment, equity, etc.

5.3.2 Assessment of Deduction for Investments in the Canary Islands in the IS:

For the assessment of effectiveness it is necessary to use impact assessment techniques through the use of a treatment group and a control group. For both groups, information is needed on “products” and “results” for the period 2010-2023 from companies in the Canary Islands and the rest of the regions. As regards ‘products’, it is necessary to have information at the ‘micro’ enterprise level and per year of the company identifier (anonymised), when I use the deduction, the amount, as well as data related to the characteristics of the company as the year of creation, CNAE, size, among others. Performance information requires information per company and year on employees on R & D & I expenditure and turnover.

5.4. If relevant, please explain how the envisaged methods intend to address specific challenges related to complex schemes, for example schemes that are implemented in a differentiated manner at regional level and schemes that use several aid instruments:

Empirical analysis will take these complex factors into account by making independent estimates to corroborate results in specific sub-samples, such as SMEs and large companies.

For the assessment of the indirect effects of the REF, the Input-Output framework of the National Accounts provides a detailed description of the interdependence of sectors of an economy, as well as a methodology for measuring the indirect effects that the change in a given variable and sector has on other macroeconomic variables and other sectors of the economy. This methodology is based on the application of the so-called multipliers of the matrix of technical coefficients and Leontief’s matrix of the Input-Output Tablas model. To the extent that sufficient data are available to carry out direct impact assessments in different sectors of the Canary Islands economy, a model based on the Input-Output Tables will be considered to measure the indirect effects of the REF on the different sectors of the economy.

S165. Refer to SWD (2014) 179 final of 28.5.2014.

6. Collection of data

6.1. Please provide information on the mechanisms and sources for collecting and processing data about the aid beneficiaries and about the envisaged counterfactual. (S166) Please provide a description of all the relevant information that relates to the selection phase: data collected on aid applicants, data submitted by applicants and selection outcomes. Please also explain any potential issue as regards data availability:

The data represent the basis for any evaluation and monitoring. Of the quality of the information
the quality of the conclusions of the evaluation study will depend to a large extent. The Evaluation Plan of the REF will be based on administrative and survey data.

The administrative data shall be obtained from the Canary Islands Tax Administration and the AEAT, such as model 190 or those from the tax system or also form 282, as well as from other sources:

• PITEC (Technology Innovation Panel). PITEC is a data panel also produced by the NSI, based on the annual responses collected in the Business Innovation Survey (EIT). It is based on a representative selection of enterprises, allowing for the recording of repeated observations over time of the economic units included.

• The Canary Islands Institute of Statistics (ISTAC) makes available the following surveys:
o Survey of Information and Communication Technologies in Enterprises in the Canary Islands
o Industrial Survey of Enterprises
o Foreign Trade Statistics according to the Technological Content or Tablas input output of the Canary Islands economy.

• The National Institute of Statistics (INE) has statistical information on: o Statistics on R & D Activities
o Statistics on the use of biotechnology
o Survey on Business Innovation
o High Technology Indicators
o Survey on the use of ICT and e-commerce in enterprises
o Central Business Directory (DIRCE)
o Tablas input output from the Spanish economy.

Databases can be merged with each other on the basis of the relevant identifiers (as is the case for companies), but this merger depends on whether the authority responsible for the files wishes to participate.
With regard to the relevant information at the selection stage, for both the aid beneficiaries and the control group, we will classify the necessary variables into three main groups:

• Relevant impacts (result indicators): these are those variables capable of quantifying the impact of the reform on the various objectives of the reform, such as job creation, productive diversification, investment in West Africa and technology-intensive investments:
o Number of jobs created
o Number of jobs created in beneficiary enterprises
o Number of enterprises under the different CNAE categorisation
o Number of enterprises with innovative technological activities
o Percentage of innovative enterprises by industry
o R & D expenditure in high-tech sectors
o Intensity of technological innovation (Innovative expenditure/Turnover x100)

• Potential controls: information on exogenous factors or other characteristics that may affect the result of interest. The inclusion of additional control variables or the analysis of the heterogeneity of the effects of the programme on the basis of certain characteristics allows for a more accurate estimation of treatment effects. Examples include:

o In relation to the undertaking:

Size of enterprise (micro, SMEs and large enterprises)
Sector (CNAE-2009 classification)
Location of the seat (municipality)
Destination market for production (local, national, EU, international)

o In relation to individuals:

Age
Sex
Work experience
Educational level (CNED 2014 classification)

Finally, there are a number of difficulties that may hinder the collection of data. Firstly, the period of operation of the new REF runs from 2015 to 2023 and special attention will therefore need to be paid to the continuity of the series as well as to any methodological changes affecting them. Moreover, the cross-checking of statistical information between many of the surveys with anonymised files may prove to be a slow process by the statistical production body and not always possible, depending on the Law on the Civil Statistical Service governing statistical confidentiality. Finally, under some nationwide surveys, it may happen that the sampling observations at the level of the Canary Islands are not representative of the population in this Community.

6.2. Please provide information on the frequency of the data collection relevant for the evaluation. Are observations available on a sufficiently disaggregated level, that is to say at the level of individual undertakings?

In general, the frequency of data collection will be annual and observations will be available at microdata level whenever the administrative record or survey in question allows.

6.3. Please indicate whether the access to the necessary data for conducting the evaluation might be hindered by laws and regulations governing confidentiality of data and how those issues would be addressed. Please mention other possible challenges related to data collection and how they would be overcome:

Chapter 3 of the Law on the Civil Statistical Service lays down the rules protecting statistical confidentiality and states that ‘statistical confidentiality requires statistical services not to disseminate personal data from whatever source’. Spanish law also contains high standards on the protection of personal data and the security of the media on which they are stored.

(Organic Law on Data Protection and National Security Scheme, among others). In some cases, the protection of confidentiality even makes it necessary not to publish highly disaggregated information in order to avoid the possible identification of the reporting person.

In any event, Article 21 of the Law on the Statistical Civil Service states that ‘the statistical services may provide on request: (b) Individual data which are not covered by statistical confidentiality because they have become anonymous to such an extent that it is impossible to identify the reporting units.’ In order to access micro-data files, it will be necessary, in some cases, to complete a request form for access to the micro-data for scientific purposes.

Where personal data are processed in the context of evaluations, EU legislation on the protection of personal data, in particular Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data, and its national implementing measures, as well as Regulation (EC) No 45/2001 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data, will apply.

6.4. Please indicate whether surveys of aid beneficiaries or of other undertakings are foreseen and whether complementary sources of information are intended to be used:

At the outset, no provision is made for

S166. Please note that the evaluation might require sourcing of both historical data and data that will become progressively available during the deployment of the aid scheme. Please identify the sources for both types of information. Both types of data should preferably be collected from the same source as to guarantee consistency across time.

7. Proposed timeline of the evaluation

7.1. Please indicate the proposed timeline of the evaluation, including milestones for data collection, interim reports and involvement of stakeholders. If relevant, please provide an annex detailing the proposed timeline.

Table 7.1 is included as Annex 8. Proposed evaluations

7.2. Please indicate the date by which the final evaluation report will be submitted to the Commission:

The table is included as Annex 9. 7.2. Dates for submission of evaluations

7.3. Please mention factors that might affect the envisaged timeline.

Problems with access to data because the information provider is not willing to deliver the data

8. The body conducting the evaluation

8.1. Please provide specific information on the body conducting the evaluation or, if not yet selected, on the timeline, procedure and criteria for its selection:

The body that will coordinate and carry out the evaluations presented in this evaluation plan will be the Institute for Fiscal Studies.

To this end, it will have the cooperation it deems necessary from the State Tax Administration Agency, the Directorate-General for Taxation and the Autonomous Community of the Canary Islands, with the coordination in the latter case of the Ministry of Finance, Budget and European Affairs of the Government of the Canary Islands.

8.2. Please provide information on the independence of the body conducting the evaluation and on how possible conflict of interest will be excluded during the selection process:

The Institute for Fiscal Studies is an autonomous body, which means having its own Directorate-General, as well as autonomous assets and budgetary arrangements. It can therefore be said that it is a body which, although publicly owned and integrated into the General State Administration, enjoys functional independence. For the same reason, there is no interest in the results of the evaluation.

8.3. Please indicate the relevant experience and skills of the body conducting the evaluation or how those skills will be ensured during the selection process:

The IEF is an autonomous body, currently attached to the Ministry of Finance and the Civil Service through the State Secretariat for Finance, of recognised standing at both national and international level. Since 1960, it has developed an important intellectual role in the field of research, study and advice in the tax, financial and tax areas. Its main purpose is to advise on decision-making processes and assess public finance scenarios for fiscal policy-making. Your mission

in general, it focuses on two main areas: research and training.

On the one hand, the Research Area is intended to study and provide economic and legal advice on matters relating to public revenue and expenditure and its impact on the economic and social system, as well as the analysis and exploitation of tax statistics. It is addressed to the Ministry of Finance and Public Administration, other ministries and other institutions. This department has officials from different administrations, giving it a heterogeneous profile when dealing with different research projects.

The Training Area is responsible, among other tasks, for cooperation with other national and international institutions on training and technical assistance in the tax and financial areas. It is intended both for staff of the various public administrations, as well as for individual researchers and staff of other international administrations.

As part of its training activities under the IEF, it highlights the availability of a virtual campus, which makes it possible to develop and maintain training for permanent workers and to offer distance courses.

The Institute for Fiscal Studies also has access to a pool of external researchers as a result of its tasks such as promoting and disseminating research and studies related to the public economy. To this end, the Institute finances the performance of research in line with its priority work in the fields of tax studies, budgetary and public expenditure studies and financial and tax law. This allows you to make proposals from external evaluators in each field as quality control of the work carried out.

Some of the key projects being implemented by the IEF are detailed below:

EXPERIENCE OF THE ENI IN ASSESSING TAX BENEFITS

The Resolution of 16 April 2021 of the Director General of the Institute for Fiscal Studies set up a working group for the assessment of tax benefits, to respond to Reform 2 of Component 28 of the Spanish Recovery, Transformation and Resilience Plan (PRTR), consisting of the analysis of 15 tax benefits to be carried out over the years 2021 to 2022. This working group consists of the Institute of Tax Studies, the State Tax Administration Agency, the Directorate-General for Taxation and the Office of the State Secretariat for Finance.

EXPERIENCE OF THE IEF IN ASSESSING TAX REFORMS BASED ON MICRO-SIMULATION MODELS

The Institute for Fiscal Studies counts as one of its priority projects on the design, development and implementation of tax micro-simulation tools, both in tax and public expenditure. These microsimulators require the maintenance and updating of the bases on which they are built and the incorporation of regulatory changes. The idea behind micro-simulators is to ‘simulate’ a scenario of contributing agents or recipients of benefits characterised by disaggregated data (microdata), which makes it possible to compare the actual situation with any other invented scenario which, once defined, makes it possible to subject the agents studied to the new circumstances in order to see what the consequences of the alternative situation would be. These tools are essential for sound decision-making by the public sector.

Simulators developed or in process are as follows:

- Simulator of Personal Income Tax (PIT).
- Asset Tax (IP) simulator.
- Corporate tax simulator for small and medium-sized enterprises (IS).
- Simulator of Value Added Tax and Excise Duties (VAT and Excise Duties).
- Local Funding System Simulator.
- Simulation model that calculates VAT tax benefits.
- EUROMOD (tax-benefit micro-simulation model) for the European Union, which makes it possible to estimate, in a comparable manner, the effects on family income and on employment incentives of tax changes.

Experience OF THE IEF IN THE EVALUATION OF THE INTERNATIONAL COHESION POLICY AND INTERNATIONAL COOPERATION PROGRAMMES The Institute for Fiscal Studies establishes the evaluation of public policies as a priority focus, and has been mainly involved in programming and evaluation in the following work to be detailed:

- Evaluation of Community Funds.

o Planning of the 2014-2020 evaluation period of ERDF funds.

o Evaluation of impact of the funds ERDF on water distribution. Period 2003-2010. (Counterfactual)

o Evaluation of impact of the funds ERDF on waste water treatment quality. Period 2003-2010. (Counterfactual)

o Evaluation of impact of the funds Community R & D & I in the profit and loss account and other accounting items of companies Spain. Period 2003-2010. (Counterfactual)

o Development of the ex-ante evaluation of the Partnership Agreement for the period 2014-2020.

- Assessment of the impact of changing the energy mix in Spain towards a more renewable energy model

- Impact assessment of Agenda 21 (Nils Science and Sustainability project)

- Evaluation of public policies in Latin America (EUROSOCIAL II project

THE EXPERIENCE OF THE IEF IN DEVELOPING TOOLS FOR MEASURING PUBLIC OPINION.

The tax barometer of the Institute for Fiscal Studies aims at measuring tax opinion, its evolution over time and basic attitudes towards taxation by taxpayers, and is based on the application of quantitative (mainly and also simulation) techniques, qualitative techniques (including interviews and focus groups), other content analysis techniques and statistical data analysis.

It is thus a basic tool for decision-making by tax officials in the public sector.

8.4. Please indicate which arrangements the granting authority will make to manage and monitor the conduct of the evaluation:

Evaluations shall be carried out by the Institute for Fiscal Studies with the necessary external collaboration.

8.5. Please provide information, even if only of an indicative nature, on the necessary human and financial resources that will be made available for carrying out the evaluation:

THE TEAM

The Institute's status as a public body and its research and teaching function give the proposed team some special characteristics:

- It is a team made up of people with experience and low turnover, who have developed their professional careers on a stable basis within this research institute or other public bodies with similar characteristics.
- Because of its public nature, the recruitment of staff to the Institute is governed not by economic criteria but by criteria of academic or research excellence, without taking into account the need to make people's knowledge more profitable in terms of economic results. This allows the staff of the institution to spend time on advanced training courses, seminars, and research, which translates into a team with a high level of training and refresher training.
- Due to the teaching nature of the Institute, its staff are constantly undergoing training and updating of knowledge.

The team proposed to carry out the assessments contained in this plan consists of 7 people (one project manager, three senior and three junior) from different profiles (legal and quantitative training as well as evaluation specialists) covering the SEH's areas of activity for the REF.

As mentioned above, the IEF has access to a pool of external researchers which ensures the availability of a collaboration mechanism with expert evaluators (at least two per study) covering all areas of action as a quality control mechanism for the work.

COST OF THE PROPOSAL

The table is attached as Annex 10. 8.5. Estimated cost of evaluations

9. Publicity of the evaluation

9.1. Please provide information on the way the evaluation will be made public, that is to say, through the publication of the evaluation plan and the final evaluation report on a website:

The dissemination and publicity of an evaluation is one of the most relevant aspects explaining its substance. Limiting evaluations to the technical domain loses the perspective of what was carried out. Competent institutions, civil society, networks of experts, external partners, the media and the general public should be aware of the results of each evaluation and in particular of the plan presented in this document, in order to be able to make representations and comments that will improve the design of public intervention.

The dissemination of an evaluation makes it possible to pass on the most important recommendations of the evaluation to the main actors involved, to be accountable to the relevant authorities and institutions and to develop knowledge within sectoral and regional experts.

The evaluation report shall be disseminated on the Internet so that it is accessible to the public. In this regard, a link will be opened temporarily at the headquarters of the Institute for Tax Studies for the contributions to be made.

If the data used for the evaluation are personal or confidential, confidentiality must be ensured throughout the process, in accordance with Articles 8, 16 and 17 of the Charter of Fundamental Rights of the EU. However, confidentiality does not affect the results of the evaluation. In particular, if any, no confidentiality clause will be included in the evaluation contract, except: (1) confidentiality obligations applicable to personal or confidential data; (2) obligations linked to compliance with national statistical rules and statistical confidentiality, such as those relating to the presentation of results.

For the purposes of reproduction or new studies, the data collected during the assessment shall be accessible under conditions not stricter than those imposed on the body carrying out the initial assessment.

Appropriate involvement of relevant stakeholders shall be ensured and shall be consulted at least once during the implementation of the evaluation plan.

9.2. Please indicate how the involvement of stakeholders will be ensured. Please indicate whether the organisation of public consultations or events related to the evaluation is envisaged:

The involvement of stakeholders will be subject to a public consultation on the evaluation plan.

9.3. Please specify how the evaluation results are intended to be used by the granting authority and other bodies, for example for the design of successors of the scheme or for similar schemes:

They shall be taken into account for the negotiation of the following periods.

9.4. Please indicate whether and under which conditions data collected for the purpose or used for the evaluation will be made accessible for further studies and analysis:

Yes, in terms of transparency.

9.5. Please indicate whether the evaluation plan contains confidential information that should not be disclosed by the Commission:

There is no confidential information.

10. Other information

10.1. Please indicate here any other information you consider relevant for the assessment of the evaluation plan:

10.1. Please list all documents attached to the notification and provide paper copies or direct internet links to the documents concerned:

ANNEX 1. List of studies
ANNEX 2. Literature review. Main studies on the impact of the REF
ANNEX 3: Table 2.1. Beneficiaries of aid by size, sector, location, indicative number and amount.
ANNEX 4: Table 2.2. General and specific objectives and expected impacts of the investment aid in the REF.
Annex 5 Figure 3.1. Chain of action in amending and extending the 2015-2023 REF.
Annex 6 Table 3.1 Some examples of questions for the evaluation of investment aid in the REF according to the type of impact and relation to the objectives of the programme.
ANNEX 7. Table 4.1.Indicators' properties
ANNEX 8. Table 7.1. Proposed evaluations
ANNEX 9. Table 7.2. Dates for submission of evaluations
ANNEX 10. Table. 8.5. Estimated cost of evaluations