ANNEXES

ANNEX 1. List of studies

Ultra-peripheral costs and financing model

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Assessment of the Reserve for Investments in the Canary Islands

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Dorta Velázquez, J.A. and Correa Rodríguez, A. (Dirs.) (2007). *RIC and business behaviour: 1994-2002*. University of Las Palmas de Gran Canaria and University of La Laguna https://datosdelanzarote.lztic.com/media/item/docs/La-RIC-y-el-comportamiento-empresarial-20101124094056932RICycomportamientoempresarial1994-2002.pdf.

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ANNEX 2. Literature review. Main studies on the impact of the REF

MAIN STUDIES ON THE IMPACT OF THE CANARY ISLANDS' ECONOMIC AND TAX SYSTEM							
Title	**Authors**	**Scope of analysis**	**Objectives**	**Methodology**	**Data**	**Period analysed**	**Main results**
The costs of the outermost regions of the Canary Islands' economy	Centre for Economic Studies Tomillo (2002)	Costs of the outermost regions	Identification and quantification of the economic costs of the outermost regions and double insularity of the Canary Islands	Microeconomic and quantitative approximation, based on the exploitation of the results of a survey of Canary Islands enterprises	Tables Input/Output (ISTAC and INE), Industrial Survey of Enterprises (INE), DIRCE (INE), Tax and Corporate Accounts (IEF and AEAT) and ad hoc Survey of Canary Islands Employers	2002	Existence of costs arising from insularity and outermost regions. Particular intensity of transport costs, human resources, business travel and certain business services
Quantification of the costs of the outermost regions in the Canary Islands	Centre for Economic Studies Tomillo (2010)	Costs of the outermost regions	Identification and quantification of the economic costs of the outermost regions and double insularity of the Canary Islands	Microeconomic and quantitative approximation, based on the exploitation of the results of a survey of Canary Islands enterprises	Canary Islands Business Survey, Spanish Regional Accounts, Labour Force Survey (LFS), Industrial Business Survey (INE), Construction Industry Structure Survey, Annual Trade Survey, Annual Services Survey, Annual Labour Cost Survey	2008	Existence of costs arising from insularity and outermost regions. Particular intensity of transport costs, business travel, differential stocks, multiple facilities, idle production capacity, water and energy
Outermost regions, economics and public finances of the Canary Islands: an overview	Fernández Llera, R. and Lago Peñas, S. (2011)	Outermost regions and financing system	Establishing the basis for reflection on the correlation between the size of the tax advantages and the amount of deductible overcharges	Literature review and descriptive analysis of the financial consequences of the Canary Islands REF	Data on financing and expenditure of the Canary Islands' territorial governments, deficit and debt, tax burden and tax difference, fiscal balances and balances	1996-2009	The available data are not sufficient to establish precisely and justify the amount of compensation that the Canary Islands should benefit from. There seems to be no correlation between the tax cost of the advantages enjoyed by the territory and its effectiveness in terms of development. Need to carry out cost-effectiveness analyses of the REF and rethink the status quo
Macroeconomic effects of the incentives of the Canary Islands Economic and Tax Regime in	Sosvilla Rivero, S., Martínez Budria, E., Navarro Ibáñez, M. (2006)	Macroeconomic impact of the REF	Assessment of the impact of Articles 25 (investment incentives), 26 (special scheme for enterprises producing tangible	Adaptation of the HERMIN model to the Canary Islands economy	Spanish Regional Accounts (INE) supplemented by data from the Regional Accounts of	1994-2013	Positive effects of economic and fiscal incentives in the REF on the following variables: real gross value added, real income per inhabitant,

the period 1994-2013			goods) and 27 (reserve for investments in the Canary Islands) of the REF on the main macroeconomic variables of the archipelago for the periods 1994-2004 and 1994-2013		the Canary Islands (CORECA). Other data from IGAE and BBVA-IVIE Foundation		employment, unemployment rate and inflation. Under the REF scenario, the Canary Islands economy would have grown at a cumulative annual rate over the period 1994-2004 of 3.63 % compared with 3.43 % in the absence of the fiscal and economic stimulus associated with the REF. Average increase of EUR 262 in real income per inhabitant in the Canary Islands and an average increase of 8467 jobs (reduction in the unemployment rate by 0,12 percentage points)
The Canary Islands' economic tax system and its macroeconomic effects	Díaz Hernández, J. J., González Marrero, R., Lorente de las Casas, A., Martínez Budria, E., Navarro Ibáñez, M., Ramos Real, F. (2007)	Macroeconomic impact of the REF	Assessment of the impact of Articles 25 (investment incentives), 26 (special scheme for enterprises producing tangible goods) and 27 (reserve for investments in the Canary Islands) of the REF on the main macroeconomic variables of the archipelago (REF in force between 1972 and 2006)	Adaptation of the HERMIN model to the Canary Islands economy	Spanish Regional Accounts (INE) supplemented by data from the Regional Accounts of the Canary Islands (CORECA). Other data from IGAE and BBVA-IVIE Foundation	1994-2004	Positive effects of economic and fiscal incentives in the REF on the following variables: real gross value added, real income per inhabitant, unemployment rate and inflation
Effect of the tax incentives of the Reserve for Investments in the Canary Islands on business investment	Villar García, A. (2004)	Evaluation of the CRP	Assessment of the effects of the RIC tax incentive on the cost of capital and business investment in the Canary Islands	Investment model King-Fullerton	DIRCE, INE, Balance Sheet Division of the Bank of Spain, SABI	1996-2001	Reduction of the cost of capital for firms in the Archipelago and an increase in investment items. The cost of capital is significantly lower for companies in the Canary Islands than for their counterparts in the rest of Spain. Divergence in the financing of Canary Islands companies from those in the rest of Spain. Debt reduction by increasing financing via profit retention (RIC)
The Reserve for Investments in the Canary Islands (RIC) as a driver of business growth: conceptual aspects and descriptive analysis of the sample (I) and Scenario Approach and Comparison (II)	Blázquez Santana, F. (2006)	Evaluation of the CRP	Empirical analysis of the impact that the ICN has had on the growth process of companies operating in the Canary Islands and on the main economic and financial variables	Adjustment model with predictive or explanatory utility	Central Balance Centre at the University of Las Palmas de Gran Canaria, Central de Balances at the University of Laguna and Canary Islands Commercial Registers. SABI (Iberian Balance Analysis Systems) database	1994-2002	The importance of ICMs in the effective growth of Canary Islands SMEs, enabling the various objectives attributable to it to be achieved, such as stimulating private investment, improving business competitiveness, creating jobs and social cohesion
RIC and business behaviour	Dorta Velázquez, J.A., Correa	Evaluation of the CRP	Impact of the ICR on job creation, investment growth	Descriptive analysis and exploitation of a	Central Balance Centre at the	1994-2002	Positive effects of ICM on corporate profitability and job

	Rodríguez (2007)		and the renewal of productive infrastructure and contribution to business diversification and its impact on the economic and financial performance of enterprises	survey of consultants and auditors	University of Las Palmas de Gran Canaria, Central de Balances at the University of Laguna and Canary Islands Commercial Registers. SABI (Iberian Balance Analysis Systems) database		creation. There is no evidence of the impact on changes in the production structure or on the environment.
Tax incentives and the environment. Opinion of Canary Islands companies in the secondary sector	Déniz Mayor, J. J.; Verona Martel, M. C. (2009)	Assessment of the environmental effects of the CRP	Analyse, in view of its peculiarity, the justification of the Reserve for Investments in the Canary Islands as an instrument for environmental protection and reflect on the environmental impact induced by the ICN.	Opinion polls among management staff of companies in the secondary sector in the Canary Islands Archipelago	SABI (Iberian Balance Analysis Systems) database	2008	16.40 % of respondents strongly agree or strongly agree that the CRP has generally contributed to the improvement and protection of the environment, while 50 % consider that the current rules do not take into account that certain investments covered by the ICR cause damage to the environment.
The IGIC problem at import and export	Blasco Arias, L. M. (2014)	Effects of IGIC on Canary Islands imports and exports	It examines the problem caused by the 'Customs Office' in the Canary Islands and the consequent management of the IGIC's chargeable events on exports and imports.	Qualitative analysis	— —	2014	The author concludes that it would be more favourable for Canary Islands foreign trade to replace IGIC with three alternatives: 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
Determinants of the financial policy of Canary Islands SMEs: an analysis with panel data	Medina Hernández, U., Pérez Monteverde, M.V. and Rodríguez Sanz, J. A. (2009)	Assessment of CRE on indebtedness and distribution of dividends of SMEs	A cross-check of several scenarios corresponding to the indebtedness and dividend distribution of small and medium-sized enterprises in the Canary Islands, emphasising the effect of the Reserve for Investments in the Canary Islands on this.	Estimation using MGM and Tobit models with random effects, using panel data	Balance Centre at the University of La Laguna and SABI (Iberian Balance Analysis System)	2009	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; negative relationship between the use of the RIC and the distribution of dividends as these are smaller in companies that retain the largest internal resources
Canary Islands within the legal framework of the European Union. The Spanish corporate tax incentives for the Canary Islands in the light of the Community harmonisation process	González Lorente, Á. (2003)	Assessment of the ICM and the CID	Analysis of the impact of the RIC and the deduction for investments on the level of the tax burden in the Canary Islands.	Analysis of tax bases and taxes on personal income tax and income tax.	'Corporation tax. Canary Islands 1992-97' of the Canary Islands Institute of Statistics (ISTAC) and BADESPE of the Institute of Fiscal Studies (IEF)	1992-1997	Tax incentives increased the tax differential from 2,52 to 4,93 percentage points compared to Spain as a whole

Study on the private cost of the outermost regions and double insularity in the Canary Islands	ECO ATENEA, S.L.- Relance CONSULTORES, S.L. — CONSULTA EUROPA PROJECTS AND INNOVATION, S.L. (Union Temporal de Empresas "UTE Eco-CoRe")	Costs of the outermost regions	Quantification of the additional costs arising from the outermost and double insularity of the Canary archipelago in eight economic sectors	Qualitative analysis, through questionnaire interviews with management staff of Canary Islands companies and business organisations, from different sectors. And quantitative analysis, by means of analysis of the production structure and intermediate costs in the Canary Islands	Ad hoc surveys in 2018 at 2.805 companies and Canary Islands business organisations and Input/Output tables (ISTAC and INE) (updated 2016)	2016	The average extra costs in the outermost regions accounted for 8 % of the turnover, more than half represents the additional cost for freight transport (which increases its weight on the situation in 2008), the (quantitative) importance of the additional costs of idle production capacity and multiple installations. From a sectoral point of view, they account for around 30 % of industrial turnover. They follow the primary sector (18 % of turnover) and trade (10.5 %). Broken down by islands, they are larger in the western islands where they account for 10 % of island turnover. And by company size they are higher for micro-enterprises (11.3 % of their turnover) than for large companies (4.8 %).

Source: own preparation

ANNEX 3.

Table 2.1. Beneficiaries of aid by size, sector, location, indicative number and amount.

Measures	Beneficiaries					
	Nature	Size	Sector (s) of activity	Location of the activity	Indicative number of beneficiary (declarants according to model 282)	Amount of tax items (in million EUR, according to model 282)
Incentives for investment	Companies that expand, diversify their capacity or innose domiciled or have a permanent establishment in the Canary Islands	All sizes	All sectors	All the islands	174	5,41
Reserve for investments in the Canary Islands (RIC)	Employers or professionals, corporate or personal income tax payers, domiciled or with a permanent establishment in the Canary Islands with positive tax bases	All sizes	All sectors	All the islands	1124	79,23
Deduction for investments in the Canary Islands (DIC)	Entrepreneurs or professionals liable to corporate tax or personal income tax who make investments in the Canary Islands and who have their domicile or a permanent establishment in the islands.	All sizes	All sectors	All the islands	774	131,14

Source: Own compilation on the basis of data from the AEAT for the 2020 financial year

ANNEX 4

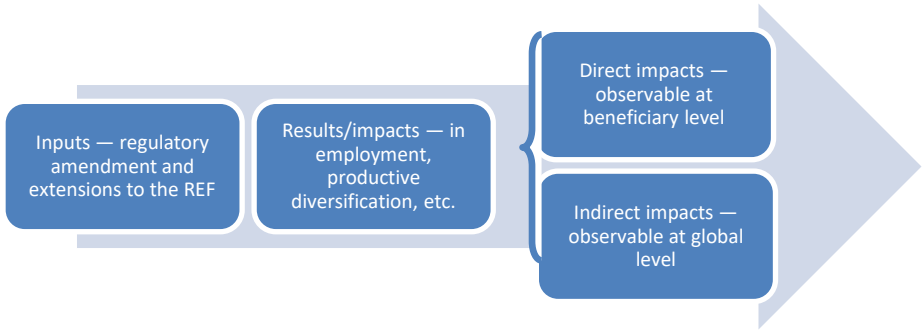
Table 2.2. General and specific objectives and expected impacts of the REF Investment Aid

Areas	Objectives of common interest	Specific objectives (beneficiaries)	Expected impacts
Incentives for investment	Encouraging investment in intangible fixed assets and investment assets, as well as the creation and expansion of enterprises	Reduce the relative cost of acquisition of capital goods and intangible fixed assets	Increase investment in fixed assets
Reserve for investments in the Canary Islands (RIC)	Promotion of job creation, equalisation of public investment in the Canary Islands to the national average, modernisation of the production structure through continuous flow of investment and, consequently, improvement of its competitiveness	Capitalisation of Canary Islands companies. Financial reorganisation of undertakings; Encouragement of investment effort from own resources and promotion of job creation. Involve financial institutions in structuring investments and attracting RIC investors in larger strategic projects.	Increase the number of jobs created. Improve investment in tangible and intangible fixed assets. Increase in the purchase of government debt and in equity participation in other companies
Deductions for investments in the Canary Islands (DIC)	Attracting medium- and long-term investment in the islands	Reduce the relative cost of acquisition of tangible and intangible property	Increase investment in fixed assets

Source: own preparation

ANNEX 5

Figure 3.1. Chain of action in amending and extending the 2015-2023 REF.



Source: own preparation

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.

Question to assess the impact	Type of impact	Objectives of the new REF
Does the modification of the investment aid in the REF as a whole facilitate job creation?	Direct impact	Creation of jobs
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?	Direct impact	
What is the effect of the investment aid in the REF on the productive structure of the Canary Islands? Does it succeed in diversifying the Canary Islands' business fabric?	Indirect impact	Productive diversification of the Canary Islands' economic structure
To what extent do investment aid under the REF incentivise research and development? Does it boost the intensity of technological innovation?	Direct impact	Technology intensive investment
To what extent does the investment aid in the REF improve the capitalisation of Canary Islands companies?	Direct impact	Improving the capitalisation of companies
To what extent does the REF improve the level of employment and growth in the Canary Islands? What are their sectoral impacts?	Indirect impact	Encouraging firms to invest

Source: own preparation

ANNEX 7

Table 4.1. Properties of the indicators

Indicator	Objective	Relevance	Legislation	Robustness	Cost
Number of jobs created	Creation of jobs	++[1]	+++	+++	+++
Number of jobs created in beneficiary enterprises	Creation of jobs	+++	+++	+++	+++
Number of enterprises under the different CNAE categorisation	Productive diversification of the Canary Islands' economic structure	++	+++	+++	+++
Number of enterprises with innovative technological activities	Technology intensive investment	+++	+++	+++	+++
Intensity of technological innovation (Innovative expenditure/Turnover x100)	Technology intensive investment	+++	+++	+++	+++

Source: own preparation

1 The assessment of the extent to which these properties are met is as follows: low (+), average (+ +) and high (+ + +)

ANNEX 8

Table 7.1. Proposed evaluations

EVALUATION	Timetable (including milestones in data collection)
Monitoring report on result indicators	A report is proposed to be presentedin November 2023 so that it can be taken into account in the negotiation of the extension for the period 2024-2027.
Final report	To be submitted at the end of the 2015-2023 period when the data relating to the 2023 financial year are processed and analysed: expected in December 2024

Source: own preparation

ANNEX 9

Table. 7.2. Dates for submission of evaluations

EVALUATION	Date of delivery to the Commission
Monitoring report on result indicators	November 2023
Preparation of final report	December 2024

Source: own preparation

ANNEX 10

Table. 8.5. Estimated cost of evaluations

EVALUATION	COST
Monitoring reports on result indicators	EUR 15,000
Final report	EUR 25,000
TOTAL	EUR 40,000