# Canary Islands: exemptions from or reductions in the AIEM tax, period of application

2011/0192(CNS) - 19/07/2011 - Legislative proposal

PURPOSE: to extend the period of application of Decision 2004/162/EC for a period of two years, authorising Spain to apply exemptions from or reductions in the tax known as AIEM for certain products produced locally in the Canary Islands.

PROPOSED ACT: Council Decision.

BACKGROUND: Council Decision 2002/546/EC authorises Spain, up to 31 December 2011, to apply exemptions from or reductions in the tax known as AIEM to certain products produced locally in the Canary Islands. The Annex to that Decision contains a list of products to which tax exemptions and reductions may be applied. The difference between the taxation of locally manufactured products and the taxation of other products may not exceed 5, 15 or 25 percentage points, depending on the product.

The global economic crisis of 2009, with its impact in the reduction of travelling, had severe consequences on the economy of Canary Islands, highly dependent on the revenues from tourism. The unemployment rate that in the period of 2001-2007 oscillated between 10.4% and 12%, rose to 17.3% in 2008 and 26.2% in 2009.

On 16 November 2010, Spain submitted a request to the European Commission to extend the period of application of Decision 2002/546/EC for two years. The report received from the Spanish authorities confirms that the handicaps that justified the approval of total exemptions and partial reduction of the AIEM tax to a list of products produced locally in the Canary Islands are still valid.

IMPACT ASSESSMENT: the Spanish authorities' request to extend the application of the AIEM was a response to requests from the economic sectors concerned. The Commission has not used an impact assessment.

LEGAL BASIS: Article 349 of the TFEU (formerly Article 299(2) of the EC Treaty). This Article provides for the possibility of introducing specific measures for those regions because of the permanent handicaps which affect the economic and social conditions of the outermost regions.

CONTENT: the report from the Commission to the Council on the application of the special arrangements concerning the AIEM tax applicable in the Canary Islands, confirmed that the AIEM was functioning in a satisfactory manner and without the need to any amendments to the provisions of Decision 2002/546/EC.

Accordingly, the purpose of this proposal is to extend the period of application of Decision 2004/162/EC for a period of two years – **until 31 December 2013**, in order to make it coincide with the Guidelines on National Regional Aid, that are applicable for the period 2007-2013.

BUDGETARY IMPLICATION: this proposal has no budgetary implication for the Union budget.