AIEM tax applicable in the Canary Islands in 2014-2020

2014/0093(CNS) - 17/03/2014 - Legislative proposal

PURPOSE: to authorise Spain to apply exemptions from or reductions in the '*Arbitrio sobre Importaciones y Entregas de Mercancías en las Islas Canarias*' ('AIEM') to certain products produced locally in the Canary Islands.

PROPOSED ACT: Council Decision.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

BACKGROUND: Council Decision 2002/546/EC authorised Spain, up to 30 June 2014, to apply exemptions from or reductions in the 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 specific measures covered by Decision 2002/546/EC were designed to strengthen local industry by making it more competitive bearing in mind taking into account the remoteness, insularity, the predominance of tourism and the small share of industry in the Canary Islands' GDP.

Council Decision 895/2011/EU amended Decision 2002/546/EC, extending its period of application up to 31 December 2013.

On 4 March 2013, the Spanish authorities requested the Commission to prepare a Council Decision authorising Spain to apply exemptions from or reductions in the AIEM to certain products produced locally in the Canary Islands for the period 2014-2020, modifying the list of products and the maximum rates applicable to some of them.

On 28 June 2013 the Commission adopted new regional aid guidelines for the period 2014-2020. Considering that these Guidelines will enter into force on 1 July 2014, it seemed justified to extend the period of application of Decision 2002/546/EC, as amended by Decision 895/2011/EU, for six months, so that its expiry date coincides with the expiry date of the current Guidelines.

The analysis of the request received from the Spanish authorities confirms that the special characteristics of the Canary Islands restrain their development and are responsible for additional costs for the operators situated there. The Commission feels that it is therefore justified to maintain the exemption of the AIEM to a list of locally produced industrial products.

CONTENT : the draft decision authorises the Spanish authorities, **until 31 December 2020**, to lay down, in respect of products listed in the Annex that are produced locally in the Canary

Islands, **total exemptions from or partial reductions of the tax known as AIEM.** These exemptions must form part of the strategy for economic and social development of the Canary Islands and contribute to the promotion of local activities. On this basis, the Commission shall present a full analysis of the economic and social aspects and where appropriate a proposal for adapting the provisions of the Decision.

This derogation will last for six and a half years (from 1 July 2014 to 31 December 2020). Accordingly, the Spanish authorities shall present to the Commission at the latest by **30 September 2017** a report on the application of these arrangements, in order to check the impact of the measures taken and their contribution to the promotion or maintenance of local economic activities, account being taken of handicaps affecting the outermost regions.

On this basis, the scope and the exemptions authorised under Community rules will be revised if necessary.