

## What are the Canary Islands R&D and Technological Innovation incentives?

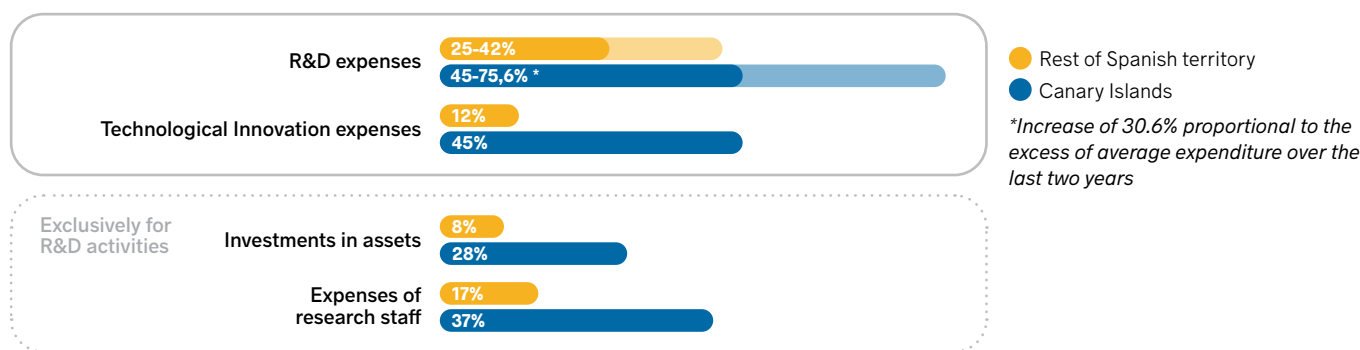
Regulated by the Spanish Corporate Income Tax Act (Chapter IV, sections 35 and 39) and the Canary Islands Economic and Tax Regime (REF) set out in Law 19/1994.

Companies involved in research, development and/or technological innovation activities are entitled to claim corporate tax deductions.

Those companies are required to be registered as Corporate Income taxpayers and be able to certify the actual expenditure in an R&D and/or Technological Innovation project in Spain (in the case of the Canary Islands the deduction percentages are higher).

- Open year round and not pegged to any specific call
- It does not require the project to be technologically and/or commercially successful
- They are not limited to certain sectors or initiatives
- Proportional to the spending amount in R&D and/or Technological Innovation

## Incentive rates in the Canary Islands



The deduction may never exceed 100% of the R&D costs.

## Deductible expenses

Only expenses that are **directly attributable** to the research, development and/or innovation project may be deducted. The following costs are included:

- Staff expenses
- Expendables
- Outsourced services
- Assets depreciation
- Acquisition of patents, licences, know-how and designs

### Research

Planned actions aimed at discovering new knowledge involving a significant scientific or technological improvement.

### Development

Application of research findings for the manufacture of new materials or products, design of new production processes or systems, etc.

### Technological innovation

An activity that results in a technological advance for the production of new products or production processes or substantial improvements to existing ones.

**Factual innovation:** the company is the first to approach the area in question and therefore assumes the risk and uncertainty of achieving the expected results.

**Subjective innovation:** while it may be an area the competition has already resolved, it will be the first time for the company introducing those technological advances.

## Application of the deduction

Companies claiming the deduction have up to **18 years** to apply it. This may be done in two ways:

- **Reduction of the tax payable** of the company's corporate income tax. Capped at 60%-90% of the tax base depending on the R&D expended amount during that year.
- **Monetisation of taxes payable**, converting 80% of the amounts into direct income. The beneficiaries commit to reinvest such amounts in new R&D and Technological Innovation projects within 24 months and to maintain the employment generated.

*Monetisation limit of €1 million for Technological Innovation projects and €3 million for R&D and Technological Innovation projects.*

*There are methods to anticipate the payment of the deduction generated through financial structures created Ad-Hoc for the R&D project*

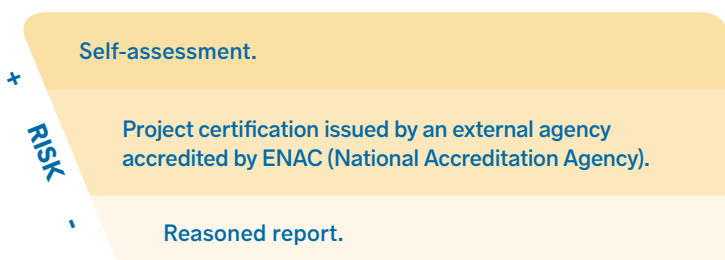
## Compatibility

The R&D and Technological Innovation deduction is **compatible with direct aid** (grants and financial instruments) as well as indirect aid (social security rebates).

The deduction percentages must be reduced by the proportionate share of the aid received.

## Certification methods\*\*

Companies intended to benefit from this tax deduction have the following options to certify\* their R&D and Technological Innovation activity and associated expenses:



*\*There are also other less commonly used types of certification: "Prior Valuation Agreement" and "Binding Consultation" with the Spanish Tax Agency.*

*It is possible to request an **ex-ante certification** of the content, which involves an evaluation of the technical nature and coherence of the budget prior to execution of the project\*\**

**The Economic Promotion Agency of Gran Canaria (SPEGC)** supports business creation, growth and innovation initiatives. The SPEGC is also responsible for provision of information at a regional level via the PIDI network of the Centre for the Development of Industrial Technology (CDTI).

To this end, we work to provide information and advise on how to take advantage of the tax and financing instruments available to companies for R&D and/or technological innovation.

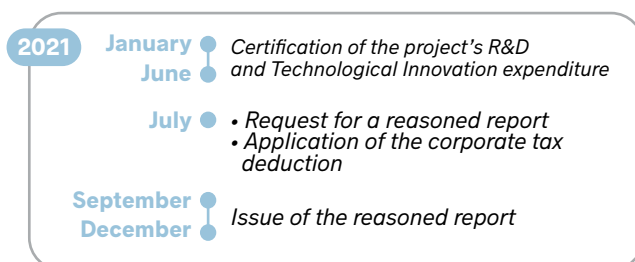
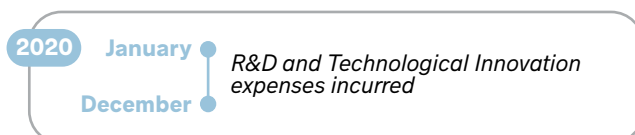
For further information about the advantages and potential of investing in Gran Canaria. Please visit <http://bestingrancanaria.com/en>



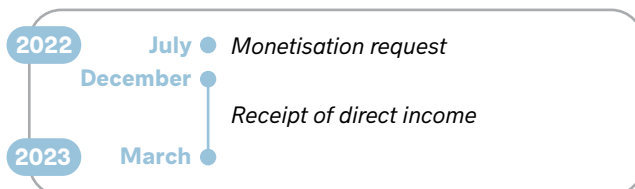
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## Timeline



If the company chooses to cashback the taxes payable:



*The form presented is a cautious R&D and Technological Innovation deduction form certified with a reasoned report, with the possibility of different forms of certification and execution times.*