

RIC The Reserve for investments in the Canary Islands

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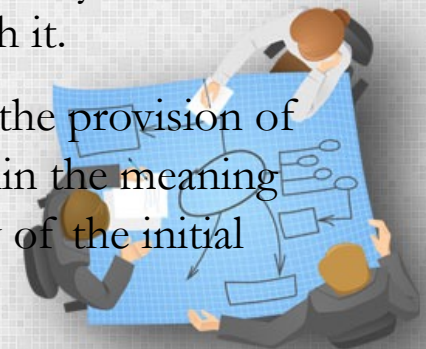
RIC The Reserve for investments in the Canary Islands

The Reserve for investments in the Canary Islands (RIC) is a tax advantage for companies located in the Canary islands that enables considerably reductions on the direct taxation.

2. Who benefits from the RIC?

The following taxpayers may benefit from the RIC:

- a. Corporation Tax taxpayers who have their tax domicile in the Canary Islands.
- b. Corporation Tax taxpayers who, without having their tax domicile in the Canary Islands, operate in the Canary Islands through a permanent establishment.
- c. Entities not resident in Spanish territory, when they operate in the Canary Islands through a permanent establishment, for the income obtained through it.
- d. Entities whose main activity is the provision of financial services or the provision of services to entities that belong to the same group of companies within the meaning of article 18.2 of the LIS, when they materialize the provision in any of the initial investments detailed in the Law .



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3. Tax Regime content

In the Corporate Tax, they have the right to a reduction in the tax base for the amount of the contributions they make to the RIC in each tax period. This reduction is limited to 90% of the undistributed profits of the period and that correspond to its establishments located in the Islands.

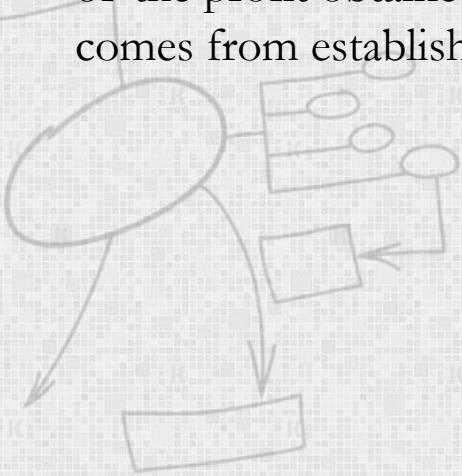
The benefit eligible for the RIC is the one on which the corresponding reduction is made. For these purposes, benefits from permanent establishments located in the Canary Islands will be considered those derived from the operations carried out with the material and human resources affected by them that close a commercial cycle that determines economic results, as well as those derived from the transmission of elements. assets not assigned to economic activities, provided that, in the latter case, they are elements of tangible fixed assets, real estate investments or intangible assets that have generated income for at least one year within the three years prior to the date of transmission.



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The RIC can be allocated by applying the percentage determined by the taxpayer, with a limit of 90% of the profit for the year that is not subject to distribution; The profit to which the rule refers is the commercial or accounting result, a magnitude that is subject to distribution or distribution by companies, not the tax base of the tax, which is a different magnitude.

The allocation to the RIC of a tax period must be made with a charge to the part of the profit obtained in said period that is not subject to distribution, as long as it comes from establishments located in the Canary Islands.



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4. Undistributed profit

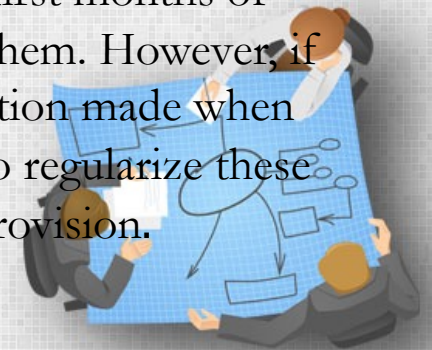
Undistributed profits are considered to be those intended to nourish the reserves, with the exception of those of a legal nature.

The following will not be considered undistributed profit:

That which derives from the transfer of assets whose acquisition would have determined the materialization of the reserve for investments in the Canary Islands.

That derived from the values representing the participation in the capital or own funds of other entities, as well as the transfer of own capital to third parties, except in the case of entities that provide financial services.

For the purposes of calculating installment payments, when these are made based on the tax base of the period, the tax base may be reduced by the amount in which the reserve is planned to be allocated, prorated in each of the periods of the 3, 9 or 11 first months of the tax period, with a maximum limit of 90% of the tax base of each of them. However, if the reserve actually provided is less than 20% of the amount of the reduction made when calculating the installment payments raised per year, the entity is obliged to regularize these payments by the difference between the initial forecast and the effective provision.



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5. Investments for RIC allocation

- Initial investments that may consist of:
 - acquisition of new assets of tangible or intangible assets.
 - working places creation
 - shares subscription
- Investments for the continuation of the following activity:
 - fixed assets
 - environmental protection
 - research and development
 - Canarian Special Zone
 - working places creation
 - public debt
 - titles of public organizations.
 - construction or operation of infrastructure



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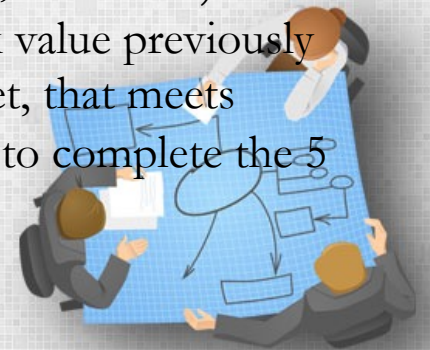
6. The deadline for RIC materialization

The investment of the amounts destined for the RIC should be allocated within a period of 3 years, counted from the date of accrual of the tax corresponding to the year in which the reserve was allocated. This could imply a period of almost 4 years: the one in which the RIC is provided and the tax base is reduced and the three subsequent ones. The investment is deemed to have been made at the time the assets come into operation, even when they are financed through financial leasing contracts.

7. Investment maintenance period

The assets that are considered initial investments must remain in operation in the company for a period of at least 5 years, without being transferred, leased or assigned to third parties for their use. With effect from 11-7-2018, when its permanence (previously, useful life) is shorter, another asset element must be acquired to replace it at its net book value previously or, within a period of 6 months from its deregistration. on the balance sheet, that meets the RIC requirements and that remains in operation for the time necessary to complete the 5 years.

If land is acquired, the term is 10 years.



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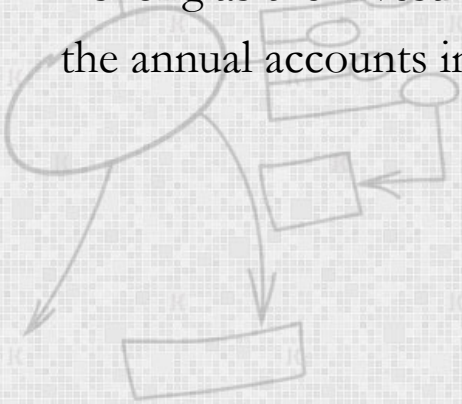
8.Accountancy

The RIC must appear in the company's balance sheets with absolute separation and appropriate title, being unavailable as long as the assets in which it materialized must remain in the company.

9.RIC formal requirements

The formal requirements or obligations that are specifically established for the RIC:
The RIC must appear in the balance sheets with absolute separation and appropriate title.

As long as the investment maintenance period is not presented, include in the report of the annual accounts information related to it as listed in article 27 in section 13.



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10. Assets that are incompatible to RIC

The benefit of the RIC is incompatible, for the same assets and expenses, with the deductions to encourage the performance of certain activities and with the deduction for investments.

With effect from 11-7-2018, in the case of used assets and land, these cannot have previously benefited from the RIC, for provisions that would have been made with benefits from tax periods starting on 1-1-2007, nor of the deductions to encourage the performance of certain activities or the deduction for investments.

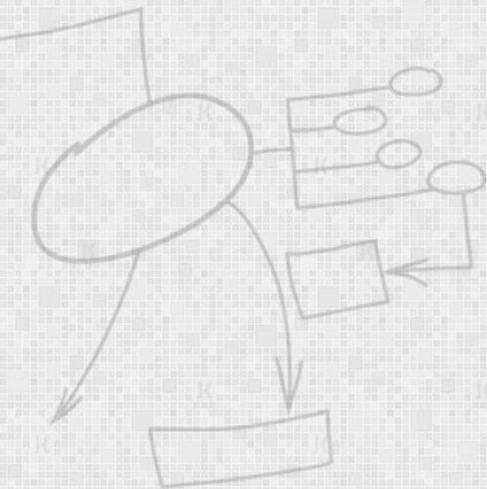
With effect from 7-11-2018, the investment that falls on used assets that only partially benefited from the RIC in the corresponding proportional part is considered eligible.



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11. Non-compliance with the requirements

Failure to comply with any of the requirements to enjoy the regime implies the integration into the tax base of the year in which the non-compliance occurs of the amounts that reduced the base in its day, with settlement of late payment interest and the imposition of the sanctions that would be appropriate.



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