

ZEC SPECIAL CANARY ZONE

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1) What is the ZEC?

The **Canary Islands Special Zone** or **La Zona Especial Canarias (ZEC)** was originally started in 2000 as an EU lead initiative to create new jobs, investment and social development in the Canary Islands, but it has grown to be much more.

The ZEC is a **unique area that boasts a low tax rate** and is part of the **Canary Islands Economic and Fiscal Scheme (REF)**. Often referred to as one of Europe's best-kept secrets with a **highly skilled workforce, a beautiful year-round climate and a 4% corporate tax rate**, it's hard to imagine any other place to start a new venture.

Although the Canary Islands fall under Spanish, and thus EU jurisdiction, agreements with these entities have allowed La Zona Especial Canarias to be formed and the islands to boom and companies to flourish.



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- **2) Where is the ZEC?**

The ZEC covers all the Canary Islands, the stunning chain of **Spanish archipelago** off the **coast of Africa** with over 2,200,000 of people. **Consisting of 7 major islands** : Tenerife, Fuerteventura, Gran Canaria, Lanzarote, La Palma, La Gomera and El Hierro.

The capital of the islands, **Santa Cruz in Tenerife**, is acting as the main hub for startups, entrepreneurs and SMEs. Traditionally known as a popular tourist destination for Europeans, the islands are transforming into a bustling business community.

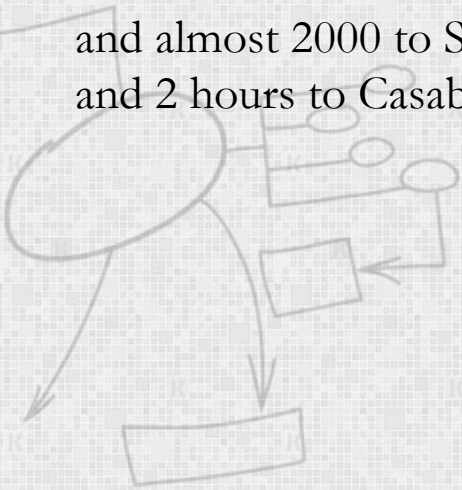
Due to the location, La Zona Especial Canarias is perfect for businesses who want to be involved with Europe while also having **easy access to Africa**, creating perfect opportunities for future expansion.



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The strategic position of the islands means they are on **main international trade routes, connecting them easily to Europe, Africa and America.** The ZEC is fully established with the main maritime traffic routes, with 26 commercial ports and around 35 million of TM.

With 8 airports across the islands, 6 of which are international and transported almost 4 million passengers in 2021, the ZEC is well connected. On a weekly basis, there are around 500 direct flights to the UK, over 400 to Germany, 50 to Africa and almost 2000 to Spain! With only a 2.5-hour flight to Spain, 4 hours to London and 2 hours to Casablanca, international business is simple.



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3)Where Can Companies Set Up in the ZEC?

As mentioned above, La Zona Especial Canarias covers **all of the Canary Islands**. Conditions are the following:

Companies planning to provide services are free to set up anywhere on the islands.

Companies who are planning to provide goods, be that production, handling, transformation or commercialisation, must be located in special areas provided for these purposes. These areas are near transportation routes throughout the islands, ie. Airports and Ports.



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4) Why is the ZEC Perfect for Business?

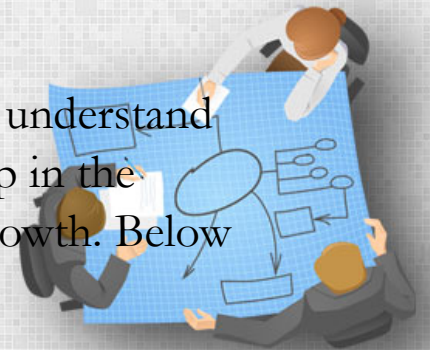
Defined as European California, the beautiful climate is just one of a huge list of reasons to move to the islands. It is not hard to see why so many people are choosing to set up in La Zona Especial Canarias. Below are a few of the factors that help entities diversify their investments:

-Low Operational Costs

The ZEC captures the best elements of Europe, with the beautiful climate of North Africa and incredibly low operational costs. Companies who are looking for setting up or working within the ZEC would be naive to ignore the importance and value of developing a business within these Island chains.

-High Quality Workforce

It's obvious that any business that is starting up would want to research and understand the workforce in that area. It would be short-sighted for a company to set up in the location without first thinking about their long term goals, objectives and growth. Below is a brief look into the talent that can be found within the ZEC.



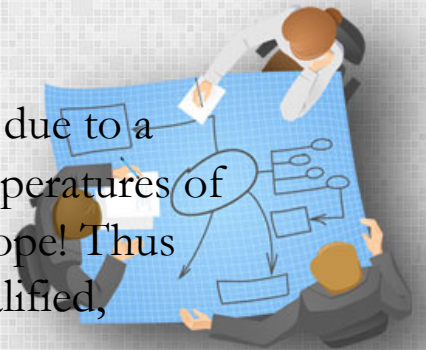
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The Canary Islands provide a **perfect place for companies searching for quality local talent**, with great opportunities to grow and develop the workforces either via the 5 universities within the ZEC or enticing foreign talent. **With 5 universities (2 public, 3 private), 39 international schools and around 180 professional training centers**, local talent is not hard to find within La Zona Especial Canarias.

Around 10% of all of Spain's yearly graduates are actually from Tenerife in fields from Law, Health Sciences, Maths, Business, Tourism, Telecom and many more!

Looking externally, the islands are a hotspot for attracting highly skilled foreign workers, especially **Digital Nomads**, with a large percentage of inhabitants being international, with the majority knowing at least 2 languages, a trait invaluable in the business world.

The Canary Islands are renowned for **retaining and attracting talent** due to a number of factors such as the timezone (GMT), the yearly average temperatures of 22°C (72°F), low prices and the highest sun hours in the whole of Europe! Thus providing investors, business owners and entrepreneurs with highly qualified, multicultural and intelligent talent.



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-Connected to the World

As aforementioned, La Zona Especial Canarias is connected to the major trade routes by air and by sea. Due to the exceptional connectivity and technological superiority of this zone, the ZEC has the **perfect requirements to become a potential Air Hub** for organizations that have operations between Europe, Africa and America.

The islands, and especially Santa Cruz in Tenerife, are known for their innovations and technology. With submarine fibre-optic cables, 50 satellites and major telecommunication companies operating within ZEC, it's the perfect place for a startup or business to grow.

The [D-ALiX](#) project has created a 'bridge' linking Africa with Europe and America, the aim of which is to improve the **competitiveness of La Zona Especial Canarias within the IT market** and improve the technological resources of the ZEC even more.



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-ZEC Tax Advantages

The Canary Islands boast the **‘best taxation rate in the EU’**. As the Canary Islands are an EU outermost region, they have their own economic and fiscal system, which is approved by the European Union, applying double taxation conventions and fiscal transparency.

The corporate tax rate of 4% is much lower than the majority of EU countries with the average being 22%, with such extremes of Germany, Belgium and France at over 30%.

The aforementioned economic and fiscal system or ‘regime’ offers compelling incentives for businesses who create, establish and grow their companies within the Canary Islands.



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The opportunity to pay lower corporation tax rates at the unique tax rate of 4% for ZEC companies is just one of these incentives. **Companies can also reduce up to 90% of undistributed net profits from taxable bases.** There is also a 50% allowance for tangible goods production within La Zona Especial Canarias. Tax Credits are also offered for investments in sectors deemed the most strategic and profitable compared to the rest of Spain.

Within the ZEC zone, there are also **multiple exceptions in direct taxation:** from the original setting up of the company, to increasing capital, to acquiring investment locations and properties and to the general rate of Canary Islands General Indirect Tax (VAT) of 7%.

Certain areas also carry unique economic advantages for exporting, importing and the inward processing of tangible goods.



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-Europe in Africa

The ZEC has all of the **advantages of being in Europe** but is located just under 100km off of the North West of Africa. La Zona Especial Canarias has all of the services, infrastructures and advantages of being within Europe while enjoying a unique geostrategic location to **extend operations effortlessly into Africa.**

With over 40 weekly air routes with cities in West Africa, connections to all of the ports in the area and a neutral internet exchange linked with Africa, the continent really is just a stone's throw away.

The Canary Islands have accumulated an impressive knowledge base over a wide range of industries due to the highly talented workers who are either from the ZEC zone or have been attracted to it over the last 20 years.

The ZEC have a surplus of **high-quality talent** and have great potential to meet and exceed the needs of companies looking to set themselves up within the ZEC zone.



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The **quality of life within the Islands is comparable with the best areas in Europe**. With first-class European Health and Education, one of the nicest climates in the world averaging at 22°C/71°F across the year and diverse cultural, leisure and business offerings Everyone on the Island embraces the **warm, cosmopolitan and fun atmosphere** that truly encapsulates the best of the ZEC, and the fact that the area has the **most celebrations and festivals in Europe** doesn't hurt either!

-Higher Job Satisfaction

More and more companies are concerned about what they're offering their employees and **strive to keep them for a long time**. But with factors like **work-life balance**, cost of accommodation or commute time, it can be hard to **keep your workers satisfied**.

The ZEC is often said to have the **best climate in the world** having spring temperatures throughout the cooler months and a summer that attracts millions of tourists a year! Within the ZEC there are **141 protected natural areas, 4 biosphere reserves, 25 golf courses, and around 160 miles (255 kms) of beaches!**



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It is not just the geographical factors that aid in **higher job satisfaction** but also the people. Anyone who visits, inhabits or works in the ZEC can shortly adapt to the tranquil days, the exciting fiestas and the positivity that brings people back to the islands year after year.

The ZEC is renown for their **gastronomy and the locality, freshness and quality of their ingredients and produce**. Due to the relatively low living costs in the Canary Islands, even the finest dining is completely affordable. Plus, Canarian cuisine was influenced by the world's best (thank you, nomads and expats!), making the ZEC a **food lover's paradise!**

On top of everything else, the islands get an average of **around 300+ sunny days a year**, so it is not difficult to see why the Canary Islands have been **attracting, nurturing and growing businesses for over 2 decades**.



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ZEC Taxation

Corporate Tax

Of all the tax advantages included in the ZEC, the most significant is a 4% corporate income tax rate, compared to the current tax rate of 25%.

Non-Resident Income Tax

The advantages of ZEC entities are not limited to a tax rate of 4% compared to the general rate of 25%, but in addition, in relation to nonresident income tax, dividends distributed by ZEC subsidiaries to their parent companies resident in another country, as well as interest and other income obtained from the transfer to third parties of their own capital, and capital gains derived from movable assets obtained without the intermediation of a permanent establishment will be exempt from withholding tax in Spain.

For these purposes, this exemption applies to income obtained by residents in any state when such income is paid by a ZEC Entity and derives from transactions materially and effectively carried out in the geographical area of the ZEC.



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Transfer Tax and Stamp Duty

ZEC Entities will also be exempt from transfer tax and stamp duty in the following cases:

The acquisition of assets and rights intended for the development of the activity of the ZEC Entity in the geographical area of the ZEC.

Corporate transactions carried out by the ZEC Entities, except for their dissolution.

The documented legal acts linked to the operations carried out by these entities in the geographical area of the ZEC

VAT

Under the ZEC regime, deliveries of goods and services rendered by ZEC Entities to each other, as well as imports of goods carried out by them, will be exempt from VAT taxation.

Finally, taking into account the limits established by the Community regulations on the accumulation of aid, under certain conditions, the ZEC is compatible with other tax incentives of the REF such as the Reserve for Investments in the Canary Islands (the RIC) or the deduction for new fixed assets (the DIC).



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HOW TO BECOME A ZEC COMPANY

APPLICATION FOR AUTHORIZATION PRIOR TO REGISTRATION IN THE OFFICIAL REGISTRY OF ZEC ENTITIES (ROEZEC)

- To be a newly created entity or branch with domicile and effective place of management in the geographical area of the ZEC.
- At least one of the administrators must reside in the Canary Islands.
- To make a minimum investment of 100,000 € (for the islands of Tenerife and Gran Canaria) or 50,000 € (in the case of La Gomera, El Hierro, La Palma, Fuerteventura or Lanzarote) in fixed assets related to the activity, within the first 2 years from the moment of its registration.

In order to include a business project in the regime of the Canary Islands Special Zone (ZEC), an application for prior authorization and a descriptive report must be submitted to the Consortium of the ZEC, in the standardized form.

These must be accompanied by:



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- Copy of the applicant's identification documents
- Document accrediting that a deposit or guarantee has been made to guarantee the registration fee
- Professional or business profile of the applicant and of the technical qualification of the staff to be hired, unless this information is included in the descriptive report
- Letter of bank solvency of the applicant
- Any other documentation deemed of interest for a better understanding of the scope of the business project

The Consortium Board, following a report from the Technical Commission, shall proceed to grant or deny authorization, expressly, within a period of 2 months from the receipt of the application at the Consortium of the Canary Islands Special Zone.

The technical personnel assigned to the Departments of the Investor Service Agency, in each of the headquarters of the Consortium, will provide the applicant with the necessary information and advice for the completion of this procedure.

Standard form for requesting prior authorization and report.

APPLICATION FOR INSCRIPTION IN THE OFFICIAL REGISTRY OF ENTITIES OF THE CANARY ISLANDS SPECIAL ZONE (ROEZEC)



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