



CONSIDERATIONS REGARDING THE TAX DEVELOPMENTS FOR THE CANARY ISLANDS IN 2020

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I can only agree with the need to increase the tax collection in order to cover the social program of the Canary Islands Government. However, the measures adopted do not seem to be the most appropriate ones for this purpose.

The increase in the Personal Income Tax rate of our Autonomous Community will certainly result in a greater tax collection, but it will be based on a higher taxation for those taxpayers who already pay the most, without being the richest. It should be taken into consideration that this segment is made up mainly of top executives who work for others and who are also big consumers. Obviously, this measure, which will strongly affect them, will diminish their capacity for consumption and will also weaken their willingness to continue to grow and promote.

The IGIC adjustments, especially the increase to 7% in the general rate, leads again to uncertainty. What will have a stronger influence? The idea that this change will not affect consumption due to this insignificant percentage or the opposite one? If that half a point has indeed an impact on consumption and investment, perhaps the measure could end up having the opposite effect.

Finally, there is the measure of the regional exemption regarding the Inheritance and Gift Tax. Scaling this exemption for the purpose of donations will undoubtedly limit families to use it as a transmission mechanism, which means that there won't be any tax collection if there are no donations. Until now, there was at least the exemption for the purpose of the Personal Income Tax on the part of the donor which could be assumed by the families taking into consideration the nearly full exemption on the part of the donee. In addition, there was also the Municipal Capital Gains Tax collected by the City Councils. From now on, there won't be any taxes at all.

As for Inheritances, obviously, there will be some taxes to be collected, but only for those families who cannot "decide" to end their days in other places which are "more tax friendly", or those ones who have not assumed



the tax planning of their assets as an obligation in order to moderate this inheritance taxation. Lastly, and as already commented on LinkedIn a few weeks ago, the measure turns out to be a magnificent tool to restrain and keep away all those large international family assets that think of the Canary Islands as a place of residence and a base for the development of their business activities within the framework of our wonderful REF, and I will never tire of saying that we must begin to evaluate spreading its benefits to personal taxation.

In short, and from a macroeconomic point of view, I venture to say that we are losing, since the stable and sustained economic growth is the best financier of social policies, especially in our islands. This being consolidated, the tax collection increases by itself.

Consequently, we are inevitably facing a month full of activity in December, with a clear focus on formalising all those gift transactions that are fiscally viable and laying the foundations for an inheritance planning that ensures the lowest possible taxation in the medium term.