

THE CANARY ISLANDS



Contents

1. The Canary Islands
2. Factors
 - I. Fiscal Incentives, Grants and Subsidies
 - a) Fiscal Incentives
 - b) Grants and subsidies
 - II. Communications and Infrastructure
 - a) International Airports
 - b) Ports
 - c) Technology or Business Parks
 - d) Broadband and WAN
 - III. Settle down costs
 - IV. Human Resources
 - a) Salaries
 - b) Languages
3. Seven Islands: Seven Worlds
4. PROEXCA

1. THE CANARY ISLANDS

The Canaries are made up of seven major islands of volcanic origin located off the West African coast at a distance of some 1,100 km from the Spanish mainland.

Their strategic location makes it possible for residents to enjoy an enviable quality of life, with a superb climate (the annual average temperature ranges from a maximum of 27°C in summer to a minimum of 15°C in winter), and a unique natural environment. The rich and varied vegetation of the islands and the beauty of the landscapes are the main attractions of the Canaries, making them not only the favourite holiday destination of the citizens of the European Union, but a luxury setting for the residents as they make it possible to combine to perfection business activity with the best options for leisure and relaxation.

GENERAL INFORMATION 2007/2008

Total area	7,447 km ²
Annual average temperature	Min. 15°C Max. 27°C
Official language	Spanish
Local time	GMT
Currency	Euro
GDP (millions euros)	43,480.328
GDP per capita	21,105 euros
Distribution of GDP by sectors:	
Agriculture	1.5%
Industry and Energy	7%
Construction	10.2%
Services	81.3%
Consumer price index	2%
Population	2,025,951
Population density	272 inhab./km ²
Number of tourists a year	12,813,179
Working week	40 hours a week
Minimum wage (2009)	624 €/month
Infrastructure:	
Airports	8 (of which 6 International)

2. FACTORS

I. Fiscal Incentives, Grants and Subsidies

a) Fiscal incentives

The Canary Islands have historically enjoyed a differentiated and stable economic and fiscal regime so as to compensate for the effects of being islands and their remoteness from Europe. They have a Fiscal and Economic Regime of their own created by Act 19/1994 on the Fiscal and Economic Regime of the Canary Islands, subject to Spanish legislation and fully **authorized** by the EU.

Fiscal incentives to business activity:

- The **Canary Islands Special Zone** (Zona Especial Canaria, **ZEC** www.zec.org): pays Corporate Tax at a rate of 4% (instead of 30% under the general system).
- The **Reserve for Investments in the Canary Islands (RIC)**: permits a reduction of up to 90% of the undistributed profits in the tax base of Company Tax.
- **Exemption from Capital Transfer Tax (ITP) and Stamp Duty (AJD)** for the incorporation, extension and acquisition of capital goods by the company.
- Advantages of **Canarian Indirect General Tax** (Impuesto General Indirecto Canario-**IGIC**): a local tax with advantages in comparison with IVA (the Spanish VAT) such as a **general rate of 5%**, not applied to certain goods and services such as telecommunications or the purchase of capital goods, as well as limitation due to volume of operation.
- **Up to 50% tax rebate** for the profit obtained from the sale of tangible goods produced in the Canary Islands.
- **Important deductions in taxation for investments** made in sectors of interest (up to 82%).
- Two **free trade areas** from a total of five in Spain. The companies that are established in the Canarian free trade areas can also take advantage of the benefits offered by the REF.
- **Fiscal deduction for activities of R+D+i**, currently the most advantageous in Spain (Canarian regime up to 75% and the General regime up to 35%).

The current high rate of economic development in the Canary Islands is due in large part to the growth in the service sector, which has made it possible to generate an investment fund of about 4.5 billions euros deriving from the fiscal incentive, Reserve for Investments in the Canary Islands (RIC). Capital available for the creation of new viable investment projects, which favour development in those sectors that diversify the productive fabric of the Canary Islands and generate skilled jobs.

To this amount of capital generated by the investment reserve (RIC) must be added the Risk Capital Funds created in the Islands by private bodies or by autonomously managed agencies, together with the Regional Economic Incentives managed by the General Directorate of Economic Promotion of the Canary Islands Government. These incentives are European funds devoted to objective 1 areas for the promotion of business activity and reinforcing the development of the regions. The non-recoverable grants range between 25% and 40% of a minimum investment of 600,000€.

b) Grants and Subsidies

Type of subsidy:	Origin and/or programme	Activities and areas subsidised:	Maximum levels of subsidy:
CAPITAL SUBSIDIES	European Programme of Regional Incentives.	Creation, expansion, modernization and transfer of companies.	Up to 40% of the total subsidisable investment.
	CANARY ISLANDS GOVERNMENT	Creation, expansion, modernization and transfer of companies, energy saving, import of basic products, inter-island transport, quality, alternative energies, new technologies, textile processing, trade, overseas promotion, computer equipment, communications, tourism, agriculture and livestock.	Up to 40% depending on the business activity, number of jobs created and applied technological innovation.
TRAINING	CANARY ISLANDS GOVERNMENT	Training for the unemployed and for those in jobs.	Up to 100% of the eligible expenses by means of authorised bodies.
EMPLOYMENT	CANARY ISLANDS GOVERNMENT	Doctors, reorganization of working time, the handicapped unemployed, hotels and restaurants, tourism, construction, collectives with special difficulties of insertion, substitution of overtime, self employed and permanent contracts.	Discount of Social Security contribution of between 20% and 90% in the first year and between 20% and 85% the second year.
EMPLOYMENT	CANARY ISLANDS GOVERNMENT	Hiring of doctors, technologists and skilled technicians	Doctor: 28,488€ Technologist: 20,987€ Skilled technician: 20,987€ Micro-company: 100%. Small: 95%. Medium: 85%. Large: 50%.
RESEARCH AND DEVELOPMENT	PROFIT, Programme for Promotion of Technical Research.	Research and development: industrial, pre-competitive development, technological demonstration, international programmes and applied research.	Up to 50% of the subsidisable investment and costs.

II. Communications and Infrastructure

A modern network of communications infrastructures at reduced prices: Eight airports (six internationals / 32Mill. Passengers/year / Direct flights weekly), ten commercial harbours, fifteen yachting marinas as well as an extraordinary network of highways.

a) International Airports

The Canary Islands have an excellent airport infrastructure.

Airports	8																								
International Airports	6																								
Number of Flights a Week to Europe:	1,500																								
Direct flight destinations:	40 European, 10 African, 2 Latin American																								
Number of direct flights a week to:	<table> <tr> <td>467 United Kingdom</td> <td>29 Belgium</td> </tr> <tr> <td>448 Spanish Mainland</td> <td>27 Italy</td> </tr> <tr> <td>334 Germany</td> <td>16 Austria</td> </tr> <tr> <td>45 Sweden</td> <td>15 France</td> </tr> <tr> <td>41 Norway</td> <td>10 Switzerland</td> </tr> <tr> <td>32 Denmark</td> <td>8 Portugal</td> </tr> <tr> <td>31 Finland</td> <td>633 Regional</td> </tr> </table>	467 United Kingdom	29 Belgium	448 Spanish Mainland	27 Italy	334 Germany	16 Austria	45 Sweden	15 France	41 Norway	10 Switzerland	32 Denmark	8 Portugal	31 Finland	633 Regional										
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Duration of flight to a selection of cities:	<p><u>Europe</u></p> <table> <tr> <td>Berlin</td> <td>4h 30m</td> </tr> <tr> <td>London</td> <td>4h</td> </tr> <tr> <td>Paris</td> <td>4h</td> </tr> <tr> <td>Rome</td> <td>4h 20m</td> </tr> <tr> <td>Moscow</td> <td>7h (1 stop)</td> </tr> </table> <p><u>Africa</u></p> <table> <tr> <td>Casablanca (Morocco)</td> <td>2h</td> </tr> <tr> <td>Nouakchott (Mauritania)</td> <td>2h</td> </tr> <tr> <td>Dakar (Senegal)</td> <td>2h 30m</td> </tr> <tr> <td>Praia (Cape Verde)</td> <td>2h 30m</td> </tr> <tr> <td>Cape Town (South Africa) (1 stop)</td> <td>20h</td> </tr> </table> <p><u>Middle East</u></p> <table> <tr> <td>Cairo (Egypt) (1 stop)</td> <td>10h</td> </tr> <tr> <td>Dubai (1 stop)</td> <td>15h</td> </tr> </table>	Berlin	4h 30m	London	4h	Paris	4h	Rome	4h 20m	Moscow	7h (1 stop)	Casablanca (Morocco)	2h	Nouakchott (Mauritania)	2h	Dakar (Senegal)	2h 30m	Praia (Cape Verde)	2h 30m	Cape Town (South Africa) (1 stop)	20h	Cairo (Egypt) (1 stop)	10h	Dubai (1 stop)	15h
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b) Ports

The most important flows are those coming from or heading for the African, European and South American continents, with regular container traffic and international transshipment, handling an average of 16 million tonnes every year. A permanent service with continental Spain and between the Canary Islands operates at the ports, both for the transport of cargo and passengers. The fleet operating in the Islands is the youngest in Spain, and it is mainly devoted to rolling cargo and passenger traffics in the whole Archipelago. International passenger traffic refers to passengers in tourist cruises.



c) Technology or Business Parks

In the Canaries, there are a number of technology and business parks devoted to providing the best possible services to their users and promoting the creation of clusters. With reference to the ICTs, two technology parks should be mentioned in particular, both of which are members of the Spanish national network of technology parks and each one has its own characteristics.

ULPGC Technology Park (Universidad de Las Palmas de Gran Canaria)

The first technology park in the Canary Islands oriented to the development of ICTs. The objective of the park is to bring together the R+D of the university in the area of ICTs with that of the private sector, facilitating the structures of both offices and of laboratories and staff.

Area: 10,000m²

Services:

- Offices, Use of existing laboratories
- Security, Cleaning
- Reception

Centre Locations:

University Institutes:

IUCTC (University Institute of Cybernetic Sciences and Technologies) - Tafira.

IUMA (University Institute of Applied Micro-electronics) - Tafira.

IUSIANI (University Institute of Intelligent Systems and Numerical Applications in Engineering) - Tafira.

Centres of R+D+i:

CICEI (Centre of Innovation for the Information Society) - Tafira.

CIDIA (Instrumental Centre of Chemistry and Physics for the Development of Applied Research) - Tafira.

Research Groups:

Thermodynamics Laboratory - Tafira.

CAFMA (Laboratory of Analytical Control of Environmental Sources) Tafira.

Tenerife Cabildo Technology Park

It arose with the aim of encouraging the ICT sector on the island of Tenerife and supplying infrastructure to companies which are benefiting from the first Neutral Network Access Point (NAP) directed to Africa and located on this island. A number of multinationals in this sector have asked for space in the park to expand their activities on the island.

Area: 630,000m²

280,000m² in Santa Cruz (Cuevas Blancas)

350,000m² in Granadilla

Services: Those of a scientific and technological park: management of the flow of knowledge and technology between the university, the research institutions and the companies both inside and outside the park, assistance to the creation and growth of innovative companies, space and high-quality installations. The wealth of projects involving the innovation culture and competitiveness of companies and institutions that generate knowledge installed in the park or associated with it is promoted.

Centre Locations: Under application (mostly departments of R+D+I of companies).

d) Broadband and WAN

The Canaries are currently connected with Europe and America by a number of underwater fibre-optic cables, as well as wide coverage by satellite (5 satellites) covering Africa and South America with great visibility from the Canary Islands.

In 2008, the first Neutral Network Access Point (NAP) directed to Africa will start to be operative, for which the location is Tenerife. This project is executed by Terramark Worldwide.

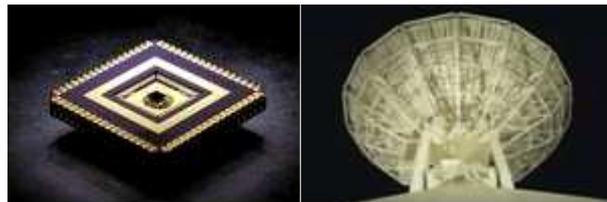
Mobile coverage	99%
Km of Optic Fibre	50,000 km
Operative ADSL WIFI zones	90
Digital Telephone Exchanges	660
Broadband coverage	Population 92% Territorial 62%

Source: Telefónica Canarias 2007

III. Settle down Costs

It should be mentioned that the Canarian Indirect General Tax (Impuesto General Indirecto Canario - IGIC) is charged at a rate of 5% and replaces IVA (16%) which is valid elsewhere on Spanish territory. Among the exemptions from IGIC, the hiring and payment for telecommunications services is included.

Average cost per m²	1,750 euros
Average cost of Water	1.65 €/m ³
Average cost of Electrical Energy	0.08 €/Kw
Average cost of Petrol (max.price)	Super: 0.946€/l Unleaded 95: 0.680€/l Unleaded 98: 1.021€/l Diesel: 0.974



IV. Human Resources

a) Salaries

In 2008 the general salary cost per worker and month in the Canary Islands was 2,039.62€, in comparison with the Spanish average of 2,309.87€ (Madrid: 2,782.73€; Barcelona: 2,449.11€).

Breakdown of salary cost:

Total salary cost	Salary cost	Other costs	Cost of non-salary benefits	Cost of obligatory contributions	Subsidies and allowances of the Social Security
2,039.62	1479.80	559.83	93.42	480.80	12.88

b) Languages

The Canaries stand out for their openness to the world deriving from the service sector and mainly tourism over the last few decades (approximately 13,000,000 holidaymakers in 2006). For this reason, learning languages is totally normal in the Islands.

Here are a number of figures in this connection, particularly the number of bilingual schools and of foreign residents in the islands:

Number of bilingual schools:

- 7 German schools
- 16 British schools
- 1 American school
- 2 Swedish schools
- 1 Norwegian school
- 1 Japanese school
- 3 French schools

Residents from the EU: **142,765**

3. SEVEN ISLANDS... SEVEN WORLDS

Surrounded by the cool blue waters of the Atlantic Ocean, the Canary Islands show off all their magic in an Archipelago unique in the world for its diversity and subtropical beauty. An entire universe that you can enjoy in a spring-like climate which lasts twelve months a year.



Deeply marked by their volcanic origin, the Canary Islands are a genuine paradise inviting you to escape and relax, only two hours flying time from Mainland Spain and four from the main cities of Europe.

Immense white dunes and crystal-clear waters, lunar landscapes, forests, secret bays with brilliant black sand, volcanoes, broad golden-sanded beaches and all the flavour of little villages that have managed to hold on to their historical and cultural heritage with deep-rooted popular fiestas and gastronomy that is as simple as it is exquisite.

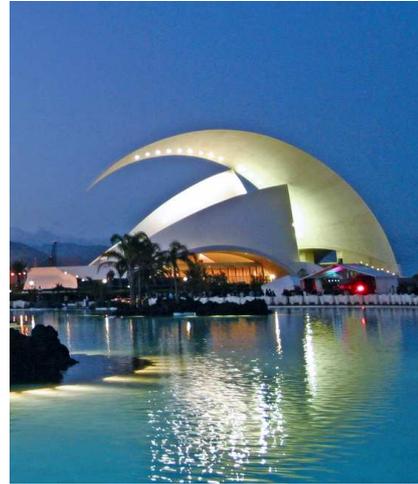
But the Islands are also the perfect place to get close to nature in a more active way: trekking, para-gliding, sailing and water sports, golf ... 365 days a year in which to enjoy just what you like one hundred percent. In the Canary Islands you will have your best-ever holiday and you will discover an exotic location that is at the same time close and safe, with all the comforts of a European destination.



The Islands are a real golfer's paradise. Playing these magnificent courses at an agreeable temperature at any time of year is an indulgence for any lover of golf. Many of the clubs have prestigious golf schools where you can sign on for classes either at beginner's level or to improve your swing.

The Archipelago offer you a multitude of spas and health and beauty centres, where you can find the very latest treatments and most sophisticated techniques to eliminate stress and improve your physical-appearance. Integrate into exclusive hotels or designed as independent establishments specialising in aesthetics and well-being, the Canary Islands offer you centres of recognised prestige where you can experience the benefits of volcanic stones, sea spray, fruit or chocolate wraps and much, much more.

Getting to know the Canary Islands, their origins, their rich history and traditions is a real discovery. From the striking remains of the legendary culture of the Guanche people to the most avant-garde artistic creation, your days will be spent visiting museums, ethnographic parks, archaeological sites and arts centres which will make you look at these Islands with new eyes. Shows, religious festivals and fiestas in honour of a patron saint, Holy Week, Corpus Christi, and celebrations to mark the grape harvest and wine making and the Carnival, one of the most spectacular in the world, make up a cultural and leisure agenda for every age and taste.



Come and take care of yourself.

4. SECTORS OF INTEREST



Information technology and communications

Highly qualified human resources with wide-ranging experience on national and international levels. Telecommunications, micro-electronics and software engineering are the three sectors with optimum investment opportunities in the Canary Islands.



Health Sciences and Biotechnology

There is leading-edge research in these fields. The Canary Islands are in fact considered a "macro laboratory" with huge reserves of natural resources and one of the highest biodiversities in the world.



Audiovisual

The Canary Islands is considered an excellent natural set for the filming of short and long movies, adverts and everything related to the cinematographic and audiovisual industries.



Optics, astrophysics and space technologies

The Canary Islands Astrophysics Institute is a world leader in these fields. The National Institute for Aerospace Technology has supported international space missions undertaken from this center.



Renewable energies

The unique natural conditions that exist mean there are a vast array of opportunities for business in wind energy, photovoltaic solar, and wave and tidal energy projects. The Canary Islands is a pioneer in water technologies and clean energies.



Tourism services

12 and a half million tourists choose the Canary Islands as a holiday destination each year. Innovative projects in this field have excellent opportunities in the islands.



Transport and logistics

A modern network of infrastructure and communications traditionally open to African and Latin American markets, which makes the Canary Islands an excellent platform for interchange between the north and the south.



Biomedical and Telemedicine

There are several products and services patented in the Canary Islands in this field and commercialized around the world. Examples in these areas are biomechanics, non-invasive surgery, and image guided medicine.

5. RESEARCH AND DEVELOPMENTS CENTERS

There are several products and services patented in the Canary Islands in the High Tech field and commercialized around the world. Examples in these areas are biomechanics, non-invasive surgery, and image guided medicine.

In the Canaries there are a number of Technology Centres which carry out a large variety of technological activities of interest for the business community. Among the most important of these activities are generic and co-operative research, preparation of prototypes, conduct of analyses, tests, regulation and authorisation, as well as technical assistance to companies in the area of innovation of products, processes and services. Some of these centres are:

- **Canarian Oceanographic Centre** (Centro Oceanográfico de Canarias - COC)
<http://www.ieo.es/centros.html>
- **Canarian Institute of Marine Sciences** (Instituto Canario de Ciencias Marinas - ICCM)
<http://www.iccm.rcanaria.es>
- **Canary Islands Astrophysical Institute** (Instituto de Astrofísica de Canarias - IAC)
<http://www.iac.es>
- **The Technological Institute of the Canary Islands** (Instituto Tecnológico de Canarias - ITC)
<http://www.itccanarias.org>
- **The Technological Institute and Renewable Energy Sources** (Instituto Tecnológico y de Energías Renovables - ITER)
<http://www.iter.es>
- **The "Antonio Gonzalez" University Institute of Bio-Organics** (Instituto Universitario de Biorgánica "Antonio González")
- **The University Institute of Science and Cybernetic Technology** (Instituto Universitario de Ciencia y Tecnología Cibernética)

<http://www.iuctc.ulpgc.es/spain/iuctc.htm>

- **The University Institute of Applied Micro-Electronics** (Instituto Universitario de Microelectrónica Aplicada - IUMA)

<http://www.iuma.ulpgc.es>

- **The Centre of Applied Algology** (Centro de Algología Aplicada - CAA)

<http://www.ulpgc.es/webs/cbm>

6. SOCIEDAD CANARIA DE FOMENTO ECONOMICO (PROEXCA)

The "SOCIEDAD CANARIA DE FOMENTO ECONÓMICO, S.A. (PROEXCA)", is a publicly-owned company attached to the Ministry of the Economy and the Revenue of the Canary Islands Government and the encounter point for the investors, institutions, entrepreneurs and other economic and social actors of the region. PROEXCA's Diversification and Inward Investment Division offers a professional and confidential free cost service, to those companies and projects from strategic sectors with interest into establish in the Canary Islands, while the investment process, from planning and evaluation, to establishment and post-service. Our international offices are located in the main countries of Europe, Africa and America.

We assist you in the optimisation of the company setting-up process or expansion, adding valour to the entrepreneurial initiative through the following services:

- Organisation and coordination of visits to the ideal location for your business.
- Identification of key contacts for the setting-up of the initiative.
- Point of contact with institutions at national, regional and local level.
- Search of potential investors and lines of subsidies and aids for your business.