II

(Acts whose publication is not obligatory)

COMMISSION

COMMISSION DECISION

of 20 December 1995

concerning the tax on production and imports ('arbitrio sobre la producción y sobre las importaciones', APIM), pursuant to Article 5 (2), (4), (5) and (6) of Council Regulation (EEC) No 1911/91 on the application of the provisions of Community law to the Canary Islands (Kingdom of Spain)

(Only the Spanish text is authentic)

(96/34/EC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EEC) No 1911/91 of 26 June 1991 on the application of the provisions of Community law to the Canary Islands [1], and in particular Article 5, paragraph 6 thereof,

Having consulted the Spanish authorities pursuant to that Article,

Whereas :

I

On account of their geographical situation, the Canary Islands are faced with very considerable difficulties, which are more serious than in most other regions of the Community. The term 'most remote region' applied to the islands covers a number of handicaps with economic and social consequences in particular due to remoteness, the presence of many islands, the volcanic terrain unsuited to agricultural and industrial production, the scarcity of energy resources and raw materials.

II

The European Community has recognized this situation and incorporated the appropriate measures in the Act of Accession of Spain and Portugal [2], which also reflects the historical economic and tax arrangements in the archipelago. At the request of the Spanish authorities, and since experience had shown that the development of the islands would be better served by fuller integration into the common policies and the process of completing the single market, the Council adopted a series of measures in Regulation (EEC) No 1911/91 on the application of the provisions of Community law to the Canary Islands.

Referring to the tax on production and imports (APIM), Article 5 (6) of the said Regulation states that during 1995, the Commission, after consulting the Spanish authorities, is to examine the impact of the measures taken on the economy of the Canary Islands and the prospects for their integration into the Community's customs territory. On the basis of this examination, the Spanish authorities may be authorized to maintain the exemptions in force, in whole or in part, until 31 December 2000 at the latest.

In addition, paragraph 2 of the said Article provides that as from 1 January 1996 the rate for the tax is to be reduced by 20 % each year so that the tax will disappear by 31 December 2000.

[1] OJ No L 171, 29. 6. 1991, p. 1.

[2] OJ No L 302, 15. 11. 1985.

III

The APIM constitutes one of the measures provided for by Regulation (EEC) No 1911/91 which were recommended with a view to making it possible gradually to integrate the Canary Islands more fully into the Community. As a temporary tax it helps to adjust local production to the requirements of the single market through a system of exemptions, which thus contributes to the promotion of local activities without, however, affecting trading conditions to an extent contrary to the common interest.

The Commission has examined the impact of the tax in the economic and social context of the archipelago and the potential effect on the public finances of local municipalities. The Commission's detailed study highlights certain features :

— the key sector is tourism, which is expanding strongly, as to a lesser extent is construction, which is dependent on it. Compared with the rest of Spain, this situation has had a positive effect on the economy, although the effect on prices has been unfavourable,

— since 1991, imports have been affected by the APIM and also by the business cycle and the customs measures included in Regulation (EEC) No 1911/91, although these apply only to extra-Community trade. It is estimated that the decline in imports due solely to the APIM may not lasts for long,

— analysis of the impact of the APIM shows that the tax burden is greatest in the electricity industry and, generally, in the industries dependent on imports,

— abolition of the APIM will cause prices to fall a little in all sectors, but slightly more so in those which are directly dependent on imports,

— taken in isolation, abolishing the APIM will increase imports by 2,5 %. In some sectors, however, particularly textiles and timber, the increase is more significant,

— production and employment on the islands are likewise affected. The forecast average decline in production is 2 % and in employment about 1 %. The reduction is very unevenly distributed, however : thus, textile production may disappear and other industrial sectors, such as 'other manufacturers' (jewellery, musical instruments, photography and toys), timber, metals and mining, may be significantly affected.

IV

The introduction of the APIM in 1991, with the rates of tax and the exemptions for local products laid down in Regulation (EEC) No 1911/91, has made it possible to adjust, in a generally positive way, the efforts in the face of certain difficulties to adapt the economy of the Canary Islands to the rest of the Community.

Consequently, at the request of the Spanish authorities and having consulted them,

HAS DECIDED AS FOLLOWS :

Article 1

The rate of tax on production and imports (APIM), applied pursuant ot Article 5 of Regulation (EEC) No 1911/91 on the application of the provisions of Community law to the Canary Islands, shall be reduced by 20 % of the initial rate on 31 December each year and for the first time on 31 December 1996, so that the tax will disappear on 31 December 2000.

Article 2

The Spanish authorities are authorized, up to 31 December 2000 at the latest, to maintain all the exemptions in force. The exemptions must contribute to the economic and social development of the Canary Islands, taking account of the Community support framework, though they must not be such as to affect trading conditions to an extent contrary to the common interest.

Article 3

Spain shall communicate to the Commission as soon as possible the legal provisions applying this Decision.

Article 4

This Decision is addressed to the Kingdom of Spain.

Done at Brussels, 20 December 1995.

For the Commission

Mario MONTI

Member of the Commission