MEASURES OF INDUSTRIAL ADJUSTMENT

Revised Draft for Inclusion in the Study on Textiles

Addendum

The following is additional information received from Spain amplifying the particulars given in Section B of document Spec(72)96/Rev.1, page 12.

Measures taken by the Spanish Government to assist industrial investment

These are adjustment measures aimed at industry generally, but which can also benefit the textile industry. They have been introduced over a period of years and nearly all of them are of a fiscal nature.

The aim of these measures is to encourage the rationalization of industry and the promotion of economic development; the most important of them are the following:

1. Tax incentives for the concentration and restructuring of firms engaged in industry and trade, granted by the Ministry of Finance after a specific study of each case.

Among these the following should be mentioned:

(a) A reduction in or exemption from the "general tax on transfers and legal instruments", for instruments and documents executed in connexion with company concentrations and restructuring.

(b) A reduction in the "general company tax" in the case of the surplus values that may result from concentration or integration.

(c) A rebate of up to 90 per cent on the "tax on capital income" if reserves generated by surplus values resulting from concentration are distributed.

(d) A reduction in the turnover tax levied on capital equipment and tools on first installation and in the "fiscal licence" during the period when this equipment is being installed.

(e) A reduction of up to 95 per cent on the "tax on capital income" on the product or interest of loans issued by firms to finance new physical investment in sectors of the economy considered to be of clear importance to development.

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2. In addition to the advantages mentioned above, which may be regarded as exceptional, there is also the general incentive to investment provided by a reduction in the "general company tax" and the "industrial tax profits schedule" in cases where undistributed profits are used to create an investment reserve or "Investment Reserve Fund".

3. Permission for accelerated depreciation in the case of industries belonging to sectors that have been given a preferential status.

4. Temporary fiscal benefits (in connexion with the "general company tax" and the "industrial tax profits schedules" in the case of investments which, though originally intended for the expansion of economic activities (Decree of 1 December 1971) subsequently provided an indirect stimulus to industrial adjustment.

5. Certain fiscal advantages granted to industries located in "poles, zones, and polygons of promotion and development" introduced with a view to promoting the economic advancement of depressed areas, or to industries belonging to sectors classified as "priority sectors", or forming part of the "concerted action" between industry in a particular sector and the government.

6. The other aids to investment have been of a less direct kind, but their effects will undoubtedly have been felt in the sectors concerned. One example has been the government policy for the vocational training or reconversion of labour so that it can be transferred to the more important sectors of the economy.