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Democratic Models of Political Structures: Old Europe, the Pioneer West and Idaho-Bizkaian Comparisons

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The Basque Economic Agreement and New Governance Possibilities (or impossibilities)”

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1. Greeting

Honorable Mr. Pete T. Cenarrusa, Mr. Roy L. Eiguren, Ms. Bethine Church and Mr. Garry V. Wenske. Ladies and Gentlemen, jaun andre agurgarriok.

First, I would like to thank the organizers for their invitation to participate in this event. And also thanks to Gloria Toticagüena for her invaluable help. It is an honor and a pleasure to be here before you. Pardon my basic English, I hope it won't difficult the flow of communication. If is necessary we will try to manage it with the help of my colleagues.

As you can see in the program, my lecture has been entitled as "the Basque Economic Agreement with Madrid and new possibilities of government". With your permission, I will remark some points about it: the Economic Agreement is an agreement or pact between the Basque Country and the Spanish State. A pact (an agreement) between two different and distinct political entities. And, as you know, the Basque Country currently consists of the Territories of Álava, Bizkaia and Gipuzkoa. Therefore, strictly speaking, I will talk about the Basque Economic Agreement and the Basque Country or Euskadi, not only about Biscay.

Regarding new possibilities for government, which we will let our politicians, I will merely point out the issues surrounding this economic relationship with the State. So, if you don't mind, I renamed my intervention as "The Basque Economic Agreement and New Governance Possibilities (or impossibilities)", instead of "the Basque Economic Agreement with Madrid and new possibilities of government". Now, I will try to do an

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academic exercise, although I know some are unavoidable political overtones.

2. Presentation

This is the scheme which I intend to follow in my speech. I don't want you to be bored (no more than necessary at least), so I will go fast through the most technical parts, and if you want to have a look, you have some material and information sources at your disposition.

- Where are we?
 - European Union
 - Spain
 - Basque Country
- Starting, in a few clicks
- The Economic Agreement
 - Origin of the Economic Agreement
 - What is the Economic Agreement nowadays?
 - What does it aim to?
 - What is the Quota or Cupo?
 - General regulations
 - General principles applicable to tax and financial relations
 - Committees
- The Economic Agreement and / in Europe
- The Economic Agreement's conflicts
- Conclusion
- Bibliography
- Links

3. WHERE ARE WE?

Let's begin. First, we have to focus, we have to decide where we are. I come to talk about us, the Basques, our location, so we first focus on geographical and political objectives.



3.1. THE EUROPEAN UNION



As you know, old Europe has (re-)organized by the will of the states that shape it. It is today a political-economic entity in its own right, with responsibilities and powers delegated by the states.

Spain is one of those states that are part of the European Union, that accepts its rules and must enforce its laws.

3.2. SPAIN



Here you have the Spanish State.

3.3. STATE OF AUTONOMIES



As you know (and if you don't, I tell you; and if my colleagues have, I repeat it), the Spanish State is composed of a number of territories called "autonomous communities". There are seventeen (17) of them, everyone the result of the creation of the centralized state as a political entity.

3.4. THE BASQUE COUNTRY. EUSKADI



The current Basque Autonomous Community, Euskadi, is made by choice of three of the Historical Territories (or Territories) of the culturally and generally speaking entity known as Basque Country or Euskal Herria: These Historical Territories are Álava or Araba, Bizkaia and Gipuzkoa.

Neither Navarre, nor the three French Basque Territories (Lapurdi, Zuberoa and Behenafarroa), are part of it.

On the graph, on how to write the names of our Territories, Aitor Esteban can explain first-hand what it took to be able to write them in Basque language or Euskera, and to recognize their validity. And yet, I assure you that although they are official names, voted and approved by Basque and Spanish authorities, many are determined to use only the names in Spanish.

Indeed, it is politics and we are not going into that. Not today.

4. STARTING, IN A FEW CLICKS

I will try to summarize the situation, the "status quo" now:

- The Basque Territories have a special power in taxation and finance. It is an autonomous state in its own.
- Therefore, we can say that in the Spanish state, there are 5 co-taxation powers, or entities with tax capacity (to create, and manage, collect, administer, etc tax rules): one: the State; two: The Foral Community of Navarre; three: the Historical Territory of Álava; four: the Historical Territory of Bizkaia, and five: the Historical Territory of Gipuzkoa.
- In Spain, the State collects all and distributes in function of each needs.
- Alava, Bizkaia and Gipuzkoa, each one of them, collect and manage their system. And pay to state for some services.

WHY THIS DIFERENCE

- Spain is not a federal state, like the USA
 - ⊙ Spain is an “autonomic” state, where:
 - ⊙ The State has great power, especially in fiscal and tax themes.
 - ⊙ Generally speaking, it is fear; fear to autonomy, fear to the different, fear to someone that does not want to remain into the State.
 - ⊙ Therefore...
 - Because of this, some peripheral Autonomous Communities appeal to the rules of Territories (tax rules).

- ⊙ In the system of Spanish rule, the rules of Territories are unique rules, not laws themselves.
 - ⊙ Everyone (with the legitimate right) may appeal against provincial standards.
 - ⊙ And all the world has appealed.
- Appeals made that rules from Alava, Bizkaia and Gipuzkoa were insecure and the situation was unstable (in an economic context).
 - The solution: protecting foral rules.
 - How? Putting the provincial standards in the same range or level of those state laws governing financial matters.

5. THE ECONOMIC AGREEMENT

5.1. Origin of the Economic Agreement

After the abrogation of the foral historical rights (or *Fueros*), once the Second Carlist War finished at the end of the 19th century, the Economic Agreement was enacted as the system for the contribution of the Basque Territories to the finances of the Kingdom of Spain.

This system acknowledges the *Foral* Deputations the capacity to collect their own taxes, in order to defray, not only their own expenses, but those which are common in the Spanish State as well.

The first Economic Agreement was signed in eighteen seventy eight (1878) and since then it has been extended in several occasions, being in force up to nowadays with the only exception of Franco's dictatorship era, during which it was suspended in Gipuzkoa and Bizkaia until nineteen eighty one (1981), when it was reestablished.

Its last renovation took place in two thousand and two (2002).

5.2. What is the Economic Agreement nowadays?

The Economic Agreement is the financing system of the Basque Country, by virtue of which the financial and tax relations between the Basque Country and the Spanish State are set up.

The nineteen seventy eight (1978) Spanish Constitution, nowadays in force, safeguards the Economic Agreement as part of the core of the *foral* historical rights of Álava, Bizkaia and Gipuzkoa and lays down its general updating, within the framework of the Constitution and of the Statute of Autonomy of the Basque Autonomous Community.

5.3. What does it aim to?

Within the acknowledged competences of the Economic Agreement, the Basque Country collects the taxes paid by Basque citizens in order to finance the public services they receive.

The General Assemblies, (*Batzar Nagusiak in Basque, Juntas Generales in Spanish*) of Álava, Bizkaia and Gipuzkoa decide about the regulation and quantification of taxes that citizens must pay, and the *Foral* Deputations (*Foru Aldundiak in Basque, Diputaciones Forales in Spanish*), are in charge of their collection and administration.

The closeness to citizens of the above mentioned institutions guarantees a proper adaptation of taxes and public services to the real needs of the population in the Basque Country.

5.4. What is the Quota or Cupo?

The Quota is the financial transfer the Basque Country has to pay to the Spanish Treasury in order to finance the competences the Spanish State carries out to the benefit of the residents of the Basque Country. This is due to the fact that these competences are kept by the State and are not assumed by the Basque Country, for example the Army, Foreign Affairs, Royal Household and so on.

The Basque Country pays for these competences in accordance with its wealth (six point twenty four per cent (6.24%) of the total Spanish state income) regardless of the amount of its income or its financial situation.

5.5. General Regulations

General regulations settle the framework within which, the public Institutions of the Spanish State and of the Basque Country, are able to act

in accordance with the tax and finance competences that the Economic Agreement acknowledges to each of them

- Tax regulations
- Finance regulations

5.5.1. Tax regulations

A. Distribution of competences

The Economic Agreement acknowledges full powers to the competent Institutions of the Historical Territories in order to establish and administer, within their territories, their own taxation system, with the only exception of the competences specifically attributed as exclusive to the Spanish state:

- The ones concerning import duties and import levies included under Excise Duties and Value Added Tax.
- High inspection of the Economic Agreement.
- In the execution of their faculties, the Historical Territories of the Basque Country must respect several general principles and some particular fiscal harmonization and cooperation rules.
- In order to carry out the administration competences, the Economic Agreement confers the same abilities to act to the Historical Territories as the ones conferred by law to the Spanish State's Treasury.

B. General principles of the tax system

The Economic Agreement establishes several general principles that can be classified into two big groups. On the one hand, principles of constitutional or statutory nature can be distinguished, for example solidarity or submission to International Treaties and, on the other hand, principles strictly linked to the faculties within the Agreement, being one of them even of exclusive application to the relations among the Historical Territories of the Basque Country (coordination, fiscal harmonization and mutual cooperation pursuant to the regulations enacted by the Basque Parliament for these purposes 3/1989 Law of 30th May, of tax harmonization, coordination and collaboration, implemented this principle and set up the Tax Coordination Body of the Basque Country.).

Among the principles in the second group, the following ones can be highlighted:

- Regarding the general structure of the taxation system of the State.
- Some harmonization rules that the Historical Territories must respect when drafting their legislation, among them the maintenance of an overall effective fiscal pressure equivalent to that in force in the rest of the State and the safeguard of freedom of movement of persons, goods, capitals and services.
- Some cooperation rules among the Institutions of the Historical Territories and the State Administration, regarding three main spheres of action: exchange of legislative drafts, participation of the Institutions of the Basque Country in the negotiation and application of international Agreements, and exchange of information

5.5.2. Finance regulations

In addition to tax relations, the Economic Agreement sets up the general principles applicable to the financial and budgetary flows between the Basque Country and the Spanish State, stipulating each of them and determining the methodology for their quantification.

Together with the constitutional principle of solidarity, the most outstanding principles concerning financial relations are:

- Fiscal and financial autonomy of the Basque Country.
- Coordination and cooperation with the State in matters of budgetary stability.
- Contribution by the Basque Country to the State's expenses concerning non-assumed competences, by means of the payment of the Quota.

Within the scope of local entities, the Economic Agreement confers to the competent Institutions of the Basque Country, the same faculties of financial supervision as the ones executed by the Spanish State at any time, without this meaning that Basque Municipalities will have a lower level of autonomy, than the one enjoyed by the ones under the Common Regime.

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5.5.3. General principles applicable to tax and financial relations

TAX RELATIONS PRINCIPLES	
General principles of tax systems established by the Historical Territories	<ul style="list-style-type: none"> • Respect for the solidarity principle • Regard for the taxation structure of the State • Coordination, tax harmonization and collaboration with the State • Coordination, tax harmonization and collaboration with the State among the institutions of the Historical Territories. • Submission to International Agreements or Treaties
Tax harmonization principles of the tax legislation of the Historical Territories	<ul style="list-style-type: none"> • Respect the General Tax Law in matters of terminology and concepts • Maintain an overall effective fiscal pressure equivalent to that in force in the rest of the State • Respect and guarantee freedom of movement and establishment of persons and the free movement of goods, capital and services throughout the territory of Spain, without giving rise to discrimination or a lessening of the possibilities of commercial competition or to distortion in the allocation of resources • Use the same system for classifying livestock, mining, industrial, commercial, service, professional and artistic activities as is used in the so-called common territory, without prejudice to further itemisations that might be made.
Cooperation principle	<ul style="list-style-type: none"> • Exchange of draft bills on tax regulations prior to their coming into effect • Collaboration of the Basque Country Institutions in any international Agreements • Exchange of information and cooperation concerning inspection competence
Interpretation principle	<ul style="list-style-type: none"> • The rules laid down in the Economic Agreement shall be interpreted in accordance with the provisions contained in the General Tax Law for the interpretation of tax regulations.

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FINANCIAL RELATIONS PRINCIPLES	
General Principles	<ul style="list-style-type: none">• Fiscal and financial autonomy of the Institutions of the Basque Country in the development and execution of their competences• Respect for the principle of solidarity in the terms laid down in the Constitution and in the Statute of Autonomy• Coordination and cooperation with the State in matters of budgetary stability• Contribution by the Basque Country to the charges of the State not assumed by the Basque Autonomous Community
Principles related to Local Entities	<ul style="list-style-type: none">• Conferring to the competent Institutions of the Basque Country of the same faculties of financial supervision exercised by the State at any time• Participation of the municipalities of the Historical Territories in non-agreed taxes

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5.6. Tax Relations

In addition to setting up the general principles applicable to tax relations, the Chapter I of the Economic Agreement distributes competence between the Basque Country and the Spanish State, in relation to legislative, tax inspection and levying powers concerning each of the agreed tax figures within the tax systems of the Historical Territories.

The distribution model of these competences is based on the classic criteria of fiscal residence and fiscal domicile, as used and determined, in general, in the OECD Model Tax Convention to prevent double taxation, in order to distribute tax powers between different jurisdictions. In addition and as a result of the existence of several tax administrations within the territory of the Spanish State, the Economic Agreement lays down some specific criteria, that is, business turnover and place of transactions, whose function is the distribution of the different tax powers that are to be assigned to each of them. The criteria for the determination of habitual residence for individuals and fiscal domicile for corporations are set up in Section XVI of Chapter I, requiring necessarily for their application the premise that the taxpayer is resident in the Spanish territory according to the law.

In general, habitual residence for individuals confers competence to the tax administration whose territory the tax payer has remained in for the longest period in a tax year, or for the purposes of some tax figures, in the previous year. As regards corporations, fiscal domicile is equivalent to the

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registered office of the corporation provided that the administrative management and direction of the business is effectively centralized therein.

For the purposes of the Corporate Income Tax and of the Value Added Tax, the distribution of the tax burden is made in accordance with the quantified portion of the total business turnover that is performed in the territory of each tax administration. The Economic Agreement defines the total business turnover concept as "the total income, net of Value Added Tax and the equivalency surcharge, where applicable, obtained for supplies of goods and of services performed in the course of the taxable person's business or professional activity". In order to identify the operations which are understood to be performed in the Basque Country, the Economic Agreement sets some rules to determine the place of performance of the transactions or operations. The criteria to determine the habitual residence and the fiscal domicile are summarized in the chart "Habitual residence and fiscal domicile".

Field Code Changed

The rules for the placement of the transfers and operations in the Basque Country can be looked up in the chart "Determination of the place of transactions".

Field Code Changed

- Competences Distribution
- Agreed Taxes

5.6.1. Competences Distribution

Taking into consideration the powers and capacities the Economic Agreement confers to the competent institutions of the Basque Country, the main classification of taxes is the one which distinguishes between "Agreed taxes subject to autonomous legislation" and "Agreed taxes subject to common legislation".

In the first group, we can find the taxes concerning which the Historical Territories have legislative capacity in order to design the main elements, which determine the tax burden derived from them. The Economic Agreement classifies all direct taxation figures, except for the Tax on Income of non-residents, the local taxes and some indirect taxation figures, i.e. Transfer Tax and Stamp Duties, in the group "Agreed taxes subject to autonomous legislation" whereas the rest of the tax figures are included in the group "Agreed taxes subject to common legislation"

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In relation to the tax figures in the first group, the general rule is that the Historical Territories have full capacity for their establishment and regulation, although, concerning some tax figures, some limitations, when regulating certain elements of the tax figures, are imposed by the Economic Agreement. In relation to the tax figures in the second group, the general rule is the absence of capacity to legislate, being the Common Territory legislation the applicable one. The Basque institutions have only regulation capacity to set certain formal aspects of these tax figures (filing and payment forms and payment deadlines) and, in a few cases, certain limited regulation capacity.

Finally, the Economic Agreement also lays down the criteria to determine which administration is the competent for the taxpayers to comply with their obligations to provide tax information.

A. Chart of the agreed taxes and the tax capacities of the Basque Country institutions.

Summary table of the tax administrations to be fulfilled before the obligations of information.

Legislative capacity in agreed taxes

AGREED TAXES SUBJECT TO AUTONOMOUS LEGISLATION		AGREED TAXES SUBJECT TO COMMON LEGISLATION	
TAX FIGURE	LIMITS	TAX FIGURE	LEGISLATIVE CAPACITY
Personal Income Tax	Rates applicable to: <ul style="list-style-type: none"> • Withholding Tax on movable capital • Withholding Tax on economic activities 	Tax on Income of non-residents	Taxation on permanent establishments with fiscal domicile in the BC
Corporate Income Tax	<ul style="list-style-type: none"> • Rates applicable to Withholding Tax on movable capital • Defining corporate groups, dominant companies, dependent companies, degrees of control and internal transactions of the group 	Value Added Tax	Filings and payment forms and payments deadlines
Wealth Tax		Tax on Insurance Premiums	Filings and payment forms and payments deadlines
Inheritance and Gift Tax		Excise Duties	
Transfer Tax and Stamp Duty	Company operations, bills of exchange and documents used in their stead or serving the purposes of a draft	Excise Duties of Manufacturing	Filings and payment forms and payments deadlines
Gaming Duties	Taxable event and taxable person	Excise Duty on Certain Means of Transport	Increase the tax rate by up to 15 per cent

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Local Taxes		Excise Duty on Coal	Filings and payment forms and payments deadlines
Tax on Immovable Property		Tax on Retail Sale of Certain Mineral Oils	Establishment of the tax rate within the limits in force at any given time in the Common Territory
Tax on Business and Professional Activities			
Motor Vehicle Tax			
Other municipal taxes	<ul style="list-style-type: none"> • Attention to the general structure established for the common regime • Non establishment of indirect taxes other than those of the common regime, the revenues from which might be transferred outside the territory of the Basque Country 		

B. Chart summarizing the competent tax administration for the compliance of the tax information obligations

Obligations to provide tax information

TAX INFORMATION OBLIGATION		ADMINISTRATION TO WHICH PROVIDE THE TAX INFORMATION
SUMMARIES OF WITHHOLDING TAXES AND ESTIMATED TAXES		
General Criterion		Competent administration for the exaction and levying
Entities that are depositaries or administrators of income on assets		Competent administration for verification and investigation of the entities
Entities liable to payment of the Corporate Income Tax levied by the State and by the Historical Territories	Remunerations received by company chairpersons and members of boards of directors	Competent administrations for the exaction and levying
	Withholdings on income from capital	Competent administrations for the exaction and levying
GENERAL TAX INFORMATION OBLIGATIONS		
Taxpayers engaged in business and professional activities		Competent administration for the verification and investigation of the taxpayer
Taxpayers not engaged in business and professional activities		Administration of the fiscal domicile of the taxpayer
CENSUS TAX INFORMATION OBLIGATIONS		To be submitted to the following administrations: <ul style="list-style-type: none"> • Administration of the fiscal domicile of the taxpayer, and • Administration where the taxpayer shall submit one of the following tax returns: <ul style="list-style-type: none"> • Tax return for withholdings and payments on account • Corporation Tax return • Value Added Tax return • Business and Professional Activities return
VALUE ADDED TAX INFORMATION		

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OBLIGATIONS	
Recapitulative statements of intra-community supplies and acquisitions	Competent administration for the verification and investigation of the taxpayer
Obligations of the dominant entity in Entity Groupings	Administrations of the territories where the Group operates

5.6.2. Agreed Taxes

For each of the tax agreed figures, the Economic Agreement lays down the criteria by virtue of which the legislative, inspection and levying competences are distributed. In addition, the Economic Agreement sets the rules required to distribute the competences concerning specific, formal or material, issues in relation to each tax figure.

The Economic Agreement regime guarantees a comprehensive tax system, with the exception of the competences the Agreement confers exclusively on the State. In order to do so, the Second Additional Provision of the Agreement states that in the event of a reform of the State tax legal system affecting the taxes object of agreement, or an alteration in the distribution of the regulatory competences affecting the scope of indirect taxation, or new tax figures or payments on account, both Administrations shall by mutual agreement proceed to adapt the Economic Agreement to any modifications made in the aforementioned legal system. This provision guarantees that the agreed tax regime is anytime adapted to the actual situation and structure of the tax system in force in the State and justifies the harmonisation rule imposed on the Historical Territories at the time to establish their tax regime that obliges them to regard for the general taxation structure of the State.

Below you can find a chart of each of the agreed taxes, summarising the allocating factors for the legislation, inspection and levying capacities.

- Individuals Direct Taxation
- Corporate Income Tax
- Withholding Taxes and Estimated Taxes
- Tax on Income of non-residents
- Value Added Tax
- Transfer Tax and Stamp Duty
- Excise Duties and Tax on retail sales of certain mineral oils
- Tax on Insurance Premiums
- Gaming Duties, Fees and Local Taxes

5.7. Financial Relations

5.7.1. Financial relations general framework

The Economic Agreement is the traditional system by virtue of which tax and financial relations between the Basque Country and the Spanish State are settled, as laid down in paragraph 1 of article 41 of the Basque Autonomy Statute

The Economic Agreement currently in force settles the tax relations in Chapter I and the financial relations in Chapter II, first, laying down the general rules applicable to them and, second, establishing the methodology for determining the Quota, which, together with the agreed taxes, are the crux of the financial system of the Basque Country.

A. General rules

First of all, Section 1 of Chapter II, sets the general principles, which shall govern financial relations between the State and the Basque Country, pointing out the following ones:

1. Fiscal and financial autonomy of the Institutions of the Basque Country in the development and execution of its competences.

2. Respect for the principle of solidarity in the terms laid down in the Constitution Article 2 of the Spanish Constitution of 1978 states that: "The Constitution... recognizes and guarantees the right to self-government of the nationalities and regions of which it is composed and the solidarity among them all". In addition the State guarantees, by virtue of article 138 "...the effective implementation of the principle of solidarity proclaimed in section 2 of the Constitution..." Moreover article 156 states that: "The Self-governing Communities shall enjoy financial autonomy for the development and exercise of their powers, in conformity with the principles of coordination with the State Treasury and solidarity among all Spaniards.". Finally, article 158 sets that: "With the aim of redressing interterritorial economic imbalances and implementing the principle of solidarity, a compensation fund shall be set up for investment expenditure, the resources of which shall be distributed by the Cortes Generales among the Self-governing Communities and Territories, as the case may be." and in the Statute of Autonomy Solidarity is one of the principles to which the application of the

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Economic Agreement shall be adapted, as stated in paragraph 2 of article 41.2 of the Statute of Autonomy of Euskadi.

3. Coordination and cooperation with the State in matters of budgetary stability.

4. Contribution by the Basque Country to charges of the State not assumed by the Basque Autonomous Community (quota), as determined by the current Economic Agreement.

5. In addition to the abovementioned principles, there are two others applicable to the local entities or municipalities of the Basque Country. One of them affects their autonomy level and the other their participation in the State collection of non-agreed taxes:

6. The faculties of financial supervision exercised by the State at any time in matters concerning municipalities shall correspond to the competent Institutions of the Basque Country, without this being construed to mean, in any way whatsoever, that the Basque Municipalities shall have a lower level of autonomy than that enjoyed by those under the common regime.

7. In cases of indirect contribution of the State through a participation in revenues from taxes not covered by the Economic Agreement, the Territorial Governments of the Historical Territories shall distribute the amounts which, pursuant to the general apportionment rules, correspond to the Municipalities in their respective Historical Territory.

As well as the enumeration of the mentioned principles, Section 1 of Chapter II, articles 49 and 50 of the Economic Agreement, lays down the legal definition of the Quota, its periodicity and its updating conditions and establishes the obligation to approve a law to determine the methodology to be used in setting the quota every five years, the quantification of the Quota for the first year of the five-year period and the updating system for each of the years following the first.

B. Methodology for determining the Quota

Section II of Chapter II of the Economic Agreement settles the basic principles of the methodology to determine the Quota. Therefore, it specifies the charges of the State which shall be regarded as non-assumed by the Autonomous Community, sets the mechanism in order to improve the system for estimating the public revenue from direct taxation, from the Value Added Tax and from Excise Duties attributable to the Basque Country.

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Moreover, it fixes the amounts to be subtracted from the quota for compensation purposes and determines the rates to be applicable in order to make the attributions.

Finally, this Section regulates several aspects related the payment of the Quota, such as the effects on the quota due to variations in transferred competences, the provisional and final settlements of the annual quota and the instalments for payments.

As mentioned, the Economic Agreement sets the approval, subject to the prior agreement of the Joint Committee on the Economic Agreement, of a five-year period law in order to determine the methodology to be used in setting the quota, setting the quota for the first year, basis of the five-year period, and the formulas to update the quotas in each of the years following the first. The law currently in force is the 29/2007 Law, October 25, which approves the methodology to determine the Quota of the Basque Country for the five- year period 2007-2011.

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C. The Quota Concept

The legal definition of the Quota is laid down in article 49 of the Economic Agreement, which literally reproduces the contents of letter d), paragraph 2, and article 41 of the Statute of Autonomy of Euskadi.

The contribution of the Basque Country to the State shall consist of an overall quota, comprising the quotas from each of the Historical Territories, as the Basque Country's share of all the charges of the State not assumed by the Autonomous Community of the Basque Country.

Not only are the competences of the Basque Country relevant in terms of quantity and quality but the exclusive competences of the State are of great relevance as well. Since the Economic Agreement assigns most of the capacity to obtain income to the Basque country but not the whole of the expense competences to be executed, there is an unbalance in the financing of the different levels of administration involved. The Quota is the mechanism which equalizes the negative balance of the State, caused by the legal finance framework laid down in the Statute of Autonomy of the Basque Country and in the Economic Agreement, which assigns a broad tax capacity to the Basque Country.

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The Quota is just the variable which equalizes this unbalance, that is, the payment the Basque Country makes to the central Government in order to finance the competences the State executes.

These capacities are known as **non-assumed competences** (by the Autonomous Community). Some of this expenditure is made out of its territory (for instance, the funding of the Royal Household, the Central Institutions of the State, the Congress, the Senate, the Army, Foreign Affairs or the contribution to the European Union). Some other expenses, which are the exception, are made in the territory of the Basque Country (for instance, expenses in ports and airports of general interest or in the High Speed Train or AVE).

In addition, most of the taxes are collected by the Historical Territories of the Basque Country (agreed taxes). However, the Central Government obtains some income, which for the purposes of the Quota, is known as **non-agreed income** (dividends from the *Banco de España*, transfers from de European Union, sales of real invest and so on) which are to be attributed to the residents in the Basque Country. The non-agreed income shall be subtracted, therefore, from the amount the Central State expends yearly in non-assumed competences.

Finally, the Central Government doesn't finance its expenses only with tax income or with any other non tax revenue. In fact, some of them are paid with deficit, that is, the State's delay for the future the payment of the incurred expenses. Deficit is another of the categories within the non-agreed income group, with the peculiarity that this item is not accounted in the State's budget, Chapter 9, as it is calculated by the mere difference between the total expenditure allocated in the State General Budget and the addition of the income allocated in Chapters 1 to 8.

With these subtractions, the Quota is, ultimately defined as:

THEORETHICAL QUOTA CONCEPT

QUOTA = Expenditure of the Central Government in non-assumed charges by the ACBC

- Non-agreed revenue of the Central Government
- Central Government deficit

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= Expenditure imputable to the ACBC in non-assumed charges (NAC)
- Non-agreed revenue imputable to the ACBC (NAR)
- Deficit imputable to the ACBC (D)

The assignment of the Central Government expenditure and income to the Basque Country is made using an imputation method. It measures the value of the variable for all Spain and imputes a fixed percentage of the total value (as indicator of the benefit) to the Basque Country. This system is used to estimate non-agreed expenditure as well as non-agreed income and the part of deficit imputable to the Basque Country. The Economic Agreement sets that the percentage attributed to the Basque Country in order to finance the non-assumed charges, known as the **attribution rate** or **imputation index (i)**, which must be basically fixed in accordance with the income of the Historical Territories relative to the total of the State.

In short, the Quota is the result of the application of the following formula:

$$\text{QUOTA} = (NAC - NAR - D).i$$

being,

NAC = the value of the non-assumed charges as accounted in the General Budget of the State

NAR = the value of the non-assumed revenue as accounted in the General Budget of the State

D = Deficit derived from the General Budget of the State

i = Imputation or attribution index

If you would like to get into the practical methodology for determining the Quota in depth, press the following link: [Methodology for determining the Quota](#).

Field Code Changed

5.7.2. The Economic Agreement Financing System

The Economic Agreement regime, from the approach of the tax federalism theory, is just another of the existing decentralization models, among the increasing and numerous ones currently in force in the international context. In particular, it is part of the Spanish model of

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"asymmetric federalism", sharing this framework with the Navarrese Convention and the Common Territory financing system.

The Agreement system has several features that make it unique in Comparative Law. Its particularity lies in the fact that it entitles the Basque Country the whole of the income from its own tax system and with this income it shall pay for the whole of its expenses competences and shall contribute to finance the expenses derived from the general competences of the Spanish State. In addition, it confers the competent institutions of their Historical Territories (General Assemblies) the capacity to amend the Economic Agreement, in accordance with the preferences of the politicians who are in charge of the government at the moment and who, therefore, account for such decisions in front of all citizens.

The Economic Agreement puts the Treasuries of the Basque Country in a status close to the one of the Treasuries of Member States in the European Union, in the sense that they only differ from the latter in the lack of competences concerning Custom income and in the absence of capacity to adapt their legislation the harmonized indirect taxation (VAT and Excise Duties)

From the point of view of regional financing systems, the Economic Agreement regime is based on different monetary transfers between the Spanish State and the Basque Country, in order to:

- On the one hand, guarantee the effective availability for the Basque Country of the attributed income.
- On the other hand, fix the participation of the Basque Country in financing the general competences the State executes.

Both targets are achieved through two main financial flows: the Quota and the Tax Adjustments.

5.8. Committees

Chapter III of the Economic Agreement, titled "*Economic Agreement Committees and Board of Arbitration of the Economic Agreement*", lays down the regulation of the administrative organs in charge of solving any issue related to the application of the Economic Agreement, stating the set up of three different committees: the Joint Committee on the Economic

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Agreement, the Legal Coordination and Evaluation Committee and the Board of Arbitration of the Economic Agreement.

Due to the negotiation process which underlies in the relations deriving from the Economic Agreement, the Joint Committee and the Legal Coordination and Evaluation Committee, made up of representatives of both administrations, the State's one and the Basque one, have an equal composition, whereas the Board of Arbitration, due to its features and competences, is made up of three members appointed by experts of renown professional prestige with broad experience in tax and finance matters.

- The Joint Committee on the Economic Agreement
- The Law Coordination and Evaluation Committee
- The Board of Arbitration of the Economic

5.8.1.COMMITEES AND BOARDS OF THE ECONOMIC AGREEMENT

Comitee	JOINT COMMITTEE ON THE ECONOMIC AGREEMENT		LAW COORDINATION AND EVALUATION COMMITTEE		BOARD OF ARBITRATION OF THE ECONOMIC AGREEMENT
Composition	12 members		8 members		3 members
	Central State: 6	Basque Government: 3 Foral Deputations: 3	Central State: 4	Basque Government: 1 Foral Deputations: 3	Appointed by the Minister and the Counsellor among renown professional experts
Agreement	Unanimity		Majority		Majority
Functions	To Agree on: <ul style="list-style-type: none"> • Modifications to the Economic Agreement • Coordination and cooperation commitments in matters of budgetary stability. • The methodology to be used in setting the Quota for each five year period. • The system and appointment of the members of the Board of Arbitration of the Economic Agreement, and on operation, notice and details of meetings, and the system for 		<ul style="list-style-type: none"> • Evaluate the adaptation of the tax legislation to the Economic Agreement prior to the publication • Resolve any consultations put forward on the application of points of connection laid down in the present Economic Agreement. • Make whatever studies deemed necessary for the adequate structural and functional organisation of the autonomous regime within the fiscal framework of the State. • Provide the competent Administrations with uniform action criteria, computer plans and programmes, and to organise the instruments, resources, procedures or methods for the effective 		<ul style="list-style-type: none"> • Resolve all disputes arising between the Administration of the State and the Foral Deputation, or between the latter and the Administration of any other Autonomous Community over the application of the Economic Agreement either in competence issues or in the application of the Economic Agreement provisions to specific cases concerning individual tax relations. • Hear and resolve disputes arising between the interested Administrations over the interpretation and application of the present

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	adopting agreements. <ul style="list-style-type: none"> • Any and all agreements involving matters of tax and finance deemed necessary at any given time for the correct application and development of the provisions contained in the present Economic Agreement. 	materialisation of cooperation principles and information exchange. <ul style="list-style-type: none"> • Analyse the cases and questions that have arisen over inspection matters between the Administration of the State and the respective Foral Deputations, and to examine valuation problems for tax purposes. • Issue reports requested by the Ministry of Finance, the different Finance Departments of the Basque Government and the Foral Deputations, and the Board of Arbitration. • Any other functions related, in particular, to the application and execution of the present Economic Agreement. 	Economic Agreement in specific cases concerning individual tax relations. <ul style="list-style-type: none"> • Resolve any disputes that may arise over the domicile of taxpayers.
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D. The Joint Committee on the Economic Agreement

The Joint Committee on the Economic Agreement is the highest relation committee between the central administration and the Basque administration, and in addition to the specific duties assigned by the law, exercises any and all agreements involving matters of tax and finance deemed necessary at any given time for the correct application and development of the provisions contained in the Economic Agreement.

The Joint Committee is made up of twelve members, six representatives of the Central administration and the same number of representatives of the Basque administration. Within the Basque representatives, there is one from each *Foral* Deputation and another three from the Basque Government. In practice the representatives of the *Foral* Deputations are the General Deputies of the Historical Territories. The representatives of the Basque Government are the Counselor of Treasury and Finance, who is the head of the Basque delegation, another Counselor of the Basque Government appointed ad hoc and the Vice-counselor of Treasury and Finance, who acts as secretary of the Committee, function shared with the appointed representative of the State's delegation. On the other hand, the central administration representatives are the Minister of Finance, head of the State delegation, high Officials of this Ministry and Ministers of some other areas appointed ad hoc for the Committee meetings.

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The agreements of the Joint Committee on the Economic Agreement require unanimity of all its members. Without prejudice to other functions which are specifically assigned in the Economic Agreement or in any other legal dispositions, the Joint Committee shall exercise the following functions:

- a) Agree on modifications to the Economic Agreement
- b) Agree on coordination and cooperation commitments in matters of budgetary stability.
- c) Agree on the methodology to be used in setting the Quota for each five year period.
- d) Agree on the system and appointment of the members of the Board of Arbitration of the Economic Agreement, and on operation, notice and details of meetings, and the system for adopting agreements.

E. The Law Coordination and Evaluation Committee

The Law Coordination and Evaluation Committee is the administrative body in charge of resolving any concerns put forward on the application and execution of the Economic Agreement, mainly all issues related to the practice of the cooperation principle as laid down in article 4 of the Economic Agreement and, therefore, it is a far more professional committee than the Joint Committee on the Economic Agreement. It is made up of eight members: four representatives of the Administration of the State and four representatives of the Autonomous Community appointed by the Basque Government, three of which shall be at the proposal of each of the respective *Foral* Deputations. In practice, the representation of the *Foral* Deputations is assigned to the *Foral* Deputies of Treasury and Finances and the representation of the Basque Government to the Vice-Counselor of Treasury and Finance. The delegation of the State is made up of high officials of the Ministry of Finance, headed up by the State Secretary of Finance.

Since there are no provisions about the system for adopting agreements, general rules for administrative procedures will be applicable. The Law Coordination and Evaluation Committee shall exercise the following functions:

- a) Evaluate the adaptation of the tax legislation to the Economic Agreement prior to the publication

- b) Resolve any consultations put forward on the application of points of connection laid down in the present Economic Agreement.
- c) Make whatever studies deemed necessary for the adequate structural and functional organization of the autonomous regime within the fiscal framework of the State.
- d) Provide the competent Administrations with uniform action criteria, computer plans and programmes, and to organize the instruments, resources, procedures or methods for the effective materialization of cooperation principles and information exchange.
- e) Analyze the cases and questions that have arisen over inspection matters between the Administration of the State and the respective Foral Deputations, and to examine valuation problems for tax purposes.
- f) Issue reports requested by the Ministry of Finance, the different Finance Departments of the Basque Government and the Foral Deputations, and the Board of Arbitration.
- g) Any other functions related, in particular, to the application and execution of the present Economic Agreement.

F. The Board of Arbitration of the Economic Agreement

The Board of Arbitration is in charge of resolving all disputes arising between the different administrations over the application of the Economic Agreement either in competence issues or in the application of the Economic Agreement provisions to specific cases concerning individual tax relations.

The Board of Arbitration is made up of three members appointed among experts of renown prestige with over fifteen years of professional experience in tax and finance matters and their appointment is formalised by the Minister of Finance and the Basque Counsellor of Treasury and Finance for a period of six years.

The Joint Committee shall adopt its agreements or Resolutions in accordance with the general principles of Administrative law, with the speciality that they can only be subject to appeals raised through the Contentious-Administrative judicial review to the Supreme Court.

The functions assigned to the Board of Arbitrators are as follows:

- a) Resolve all disputes arising between the Administration of the State and the Territorial Governments of the Historical Territories, or between the latter and the Administration of any other Autonomous Community, over the application of the points of connection for the taxes transferred hereunder and over the determination of the proportion corresponding to each Administration in cases of joint filing of Corporation Tax or Value Added Tax returns.
- b) Hear disputes arising between the interested Administrations over the interpretation and application of the present Economic Agreement in specific cases concerning individual tax relations.
- c) Resolve any disputes that may arise over the domicile of taxpayers.

Finally, it is to be pointed out that that the referral of conflicts to the Board of Arbitration implies the suspension of administrative proceedings in progress until the conflicts are resolved and that the procedures for the Board of Arbitration is laid down by virtue of its specific regulatory provision (Royal Decree 1760/2007, 28th December).

6. THE ECONOMIC AGREEMENT AND / IN EUROPE

6.1. In short

Since Spain joined the European Union (nineteen eighty six (1986)) it interiorized what “being European” means. This means respecting community principles, complying with European regulations and applying the necessary procedures in the event of infringement.

Furthermore, joining the European Union also means integrating all its internal administrations, both State and substate. In this sense, we should have in mind the fact that the Spanish State is a decentralized one, into seventeen (17) Autonomous Communities, each one with its own functions and competences. The Autonomous Basque Country and Navarre Communities stand out among them, with their constitutionally acknowledged competences in tax matters, which the other Autonomous Communities lack off.

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The instrument, which constitutionally, statutorily and legally regulates tax and financial relationships between the Basque Autonomy (Euskadi) and the Spanish State is the Economic Agreement.

Historically speaking, it is a deeply rooted tool and a key institution in the current self-governing Basque Autonomy. Nevertheless, it should be clarified that it is the Historical Territories comprising the same (Araba, Bizkaia and Gipuzkoa), who really hold this taxation competence as a Historical Right.

The Historical Territories have been regulating different taxes differently from the rest of the Spanish State using this taxation competence, resulting in complaints and claims from neighboring Autonomies and a series of social agents. Furthermore, they have formal regulatory status within the framework of the State of Provincial Regulations, despite the fact that Provincial Tax Regulations should be regulated by norms with law status.

Jurisdictionally speaking, this fact meant (until the reform introduced by Organic Law 1/2010, one slash two thousand and ten) that the Provincial Tax Regulations could be appealed against in ordinary courts (for example, administrative law jurisdiction) by anyone who felt violated by the same.

Thus active legitimization was extensive with the resulting litigation in relation to the Provincial Tax Regulations and Economic Agreement in general.

6.2. Basque institutional framework:

You could wonder how we clarify with many institutions, it is not hard, remember the saying that the closer the better the service administration.

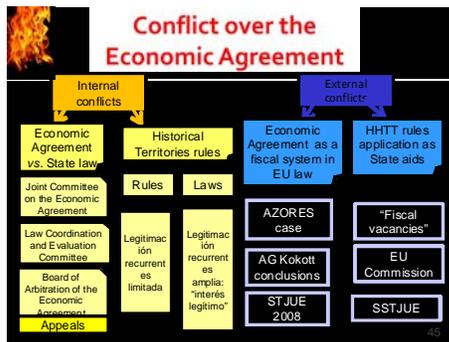
In Euskadi, first we have local government, municipal. In some places even local (associations). And in each Historical Territory our General Assemblies as a legislative body and the Provincial Councils as an executive. They have their own powers, the most important of which is the fiscal and taxation. For each Historic Territory provincial makes its own rules (within certain limits, but the margin is very large). Then there is the Basque Autonomous Community, with its parliament (*Legebiltzarra*) and government

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(*Jaurilaritza*). And then the Spanish State and the European Union, of course.

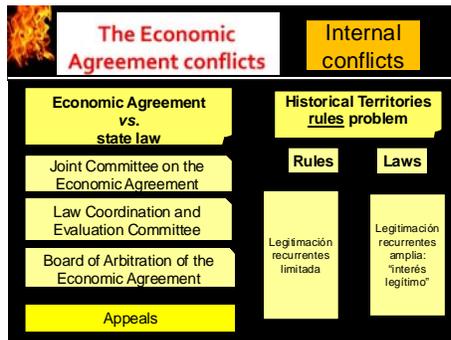
6.3. Conflicts over the Economic Agreement

Here I have summarized the called "conflict" around the Basque taxation. As you can see, conflicts that arise with and around the Economic Agreement can be grouped into internal conflicts and external conflicts.



6.3.1. Conflict over the Economic Agreement: Internal conflicts

We refer to internal conflicts when resources against tax foral regulations come from the territory of the Spanish State.



This happens when Basque rules conflict with State regulations, and to regulate and fix them we have the bodies mentioned before (1. the Joint Committee on the Economic Agreement; 2. the Law Coordination and Evaluation Committee and 3. the Board of Arbitration of the Economic Agreement).

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Another important issue is the legal status of provincial rules (including taxes) within the Spanish legal system. Because so far they have a regulatory status, they are not laws.

This means that legitimacy to appeal is different: for laws, it's more restricted (the Prime Minister, the Ombudsman, 50 Deputies, 50 Senators, the Executive body and the Legislative Assemblies of the Autonomous Communities). Instead, rules have a very broad legitimacy of a regulatory nature, which allows anyone with a legitimate interest to appeal.

As you can imagine, this has meant a big "headache" for both Basque institutions (Councils and autonomic) and companies and, ultimately, for all Basque citizens. Do not forget that, at least in tax issues, we have "almost" sovereignty. And that way of cataloging rules and regulations questions provincial Basque power.

Because, if each Historical Territory General Assemblies have and exercise a "de facto" legislative power, in all matters within its competence, and especially in fiscal and tax; if they act as a parliament, you tell me if the situation is not absurd.

This question of the nature of the provincial rules is still being debated, although in defense of my dissertation a professor at the court said not to waste time on such issues, because "foral rules are what they are."

The problem, I think, and sorry about the parentheses, is not what they are, but what outsiders want them to be. For Basques there is no doubt, they are rules with the force of law.

But for some Spanish doctrine and others, they are under Spanish law. I guess it's a bit more of the same. Basques are what we are, even though want to say something different. This discussion is so many centuries old...

As noted, fiscal and tax matters should be regulated by formal law (art 33 –thirty three- CE), but in the case of the regional Basque Territories (Araba, Bizkaia and Gipuzkoa) not acknowledged in Spain that the General Assemblies have legislative capacity, they are considered regulations. And we already said that this means that anyone with a legitimate interest can appeal.

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It means that anyone who feels minimally affected or damaged by a statutory rule may appeal. Thus, the General Union of Workers of the Autonomous Community of La Rioja (an Autonomous Community bordering Euskadi) and the Association of Entrepreneurs of La Rioja felt affected. Yes, all these "anonymous" people, without any direct (or indirect) relationship with Euskadi, appealed against the Foral Rules.

You may ask for the legal arguments (I have already outlined the politic ones). Because the Foral Rules, the Economic Agreement fits into the Spanish state and its laws.

What then was the legal argument? That these Foral rules, (Provincial Laws) fit in Spain, but not fit into the European Union; accused foral rules (taxes, specifically regulating the corporation tax) of "not fitting" in Europe.

We will return to the European issue in the next point.

To tackle the issue of internal conflicts, let's say that our politicians (the Basques ones, of course) worked to bring up something that the media have called "shield". The name is not correct; it is rather the legal protection of Provincial Laws. That is, have sought ways that are not "that easy" actionable. Thus, we adopted the Organic Law 1/2010 (one slash two thousand and ten) to reform the Law on Constitutional Court, the Organic Law of Judicial Power and the Law of Administrative Jurisdiction, which aims to reduce conflict around the Provincial Laws (taxation) to limit standing to appeal against them. That's what has been called "shield" of the Economic of Provincial Laws... You can look out and do a search online.

Therefore, jurisdictionally, at the moment provincial tax standards are protected from the internal point of view. I say at the moment because this Act has been actionable, can you imagine by whom? Yes, by the institutions of La Rioja, as usual. And I say from the internal point of view because it does not protect the external, this is, the European Union. I will explain.

As you know, one of the objectives of the European Union is the free movement of goods, labor and capitals. That's a fair competition between states (including companies in the States). That may not help some companies more than others. Well, La Rioja thought that the rules benefit Basque companies. Well, as you can understand, those rules have a

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particular area of application and those rules only apply in the Basque Country. Not in La Rioja.

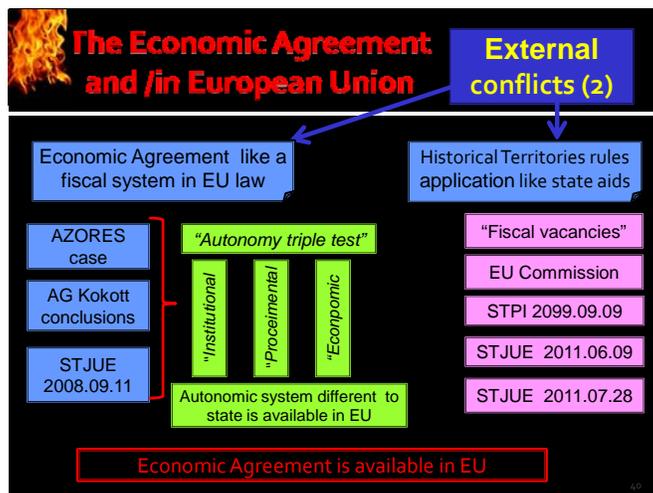
If I tell you the truth, it is true that certain rules were made to benefit some companies during the crisis of the nineties. Without regard to the circumstances, the European Commission (and our friends in La Rioja) has made the Court of Justice of the European Union to claim the obtained benefits. According to the provincial institutions, they have already been recovered.

Well, that is the question of "some" specific rules that represented a concrete benefit to individual subjects. It happens in every state, also in Spain, look at the jurisprudence of the European Union Court of Justice. It happens almost every day. Another thing, much more serious, is the claim that the Economic and tax system was illegal in the European Union. That is what was intended, because from home it could not be "removed", they tried to make it "expelled" from the outside.

6.3.2. The Economic Agreement conflicts. External conflicts

First, some ideas:

- EU's only relations are with STATES
- Before EU, our **representation** is Spain
- If Historical Territories do not carry out, Spain has to answer for them, **the EU demands to Spain** (not interference principle)



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Although the Agreement came about and is exercised within an internal or state regulation context, nevertheless today, the fact of Spain being a European Union member is also affecting it legally.

Conflicts arising in recent times as to whether the contents are legitimate from the point of view of European Law demonstrate this.

These conflicts have been going on and settled at the judiciary headquarters. In my thesis I tried to analyze the “how” and the “why” of this European Law supstate influence on the Economic Agreement, particularly on how it acts and affect jurisdictional application of EU Law on its dynamics and development. But I will not tell my thesis. At least, not all.

The truth is that, European Union Law neither intervenes nor pronounces on how competences should be distributed for tax legislation in Member States, since it responds to the community principle of internal institutional and procedural and procedure autonomy. And likewise, this Law ends up affecting the specific use of internally established taxation regulations, regarding their legal contents.

For this reason, the influence of EU Law on the exercising of provincial regulatory competence on taxation is inevitable today. First, this influence is determined in that the European Commission and the Court of Justice of the European Union directly exercise the function of enforcing respect for community principles on the matter (and European Law in general), each one in their respective spheres. And, second, the European Union Law is the origin and/or derived from European institutional decisions, conditioning the interpretative and applicable task of national courts.

Remember that a national judge who acts as a national or internal judge of European Law application must ensure the correct application of this Law and/or that the internal law applied is not incompatible with the same, and in general for upholding rights acknowledged under European Law. The task of judging and enforcing it also applies in the interpretation and internal judicial application of European Law.

Sometimes this application is direct without the exercise of internal regulations hindering, for example direct effect principle. It may even be against that set forth in internal Law, for example principle of primacy. And, in the absence of direct effect, assert rights acknowledged under EU Law

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via national application of this Law, even when said internal law of community application does not articulate the channels or mechanisms adapted to this effect, i.e. asserting these rights via the principle of accepted interpretation, and where appropriate, the State patrimonial responsibilities due to non-compliance of European Union Law.

I have told you that the law of the European Union is above the law of the Member States.

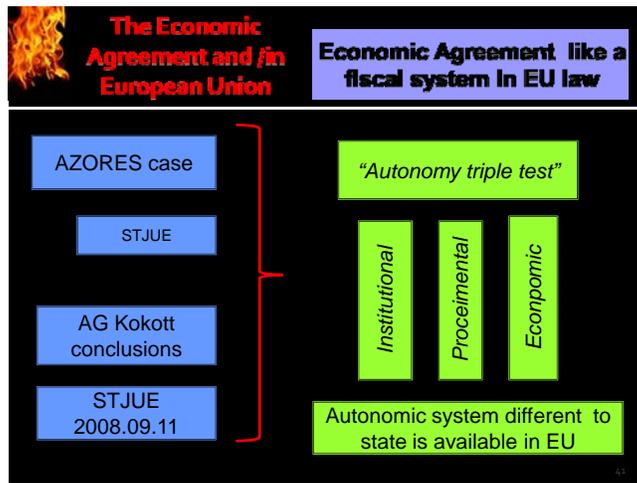
What does that mean for "Basque right"? (understood as Provincial Laws). Means that all the rights of states are below the European Union law. Also the Spanish law, and of course the Law of the Autonomous Communities and of the Territories.

Thus, before the breach (or alleged breach) of a statutory rule, anyone who is aggrieved can complain to the courts. These courts are those of a member state that can then be national and European judges (first instance).

I'll tell you clearly is what happened when bordering the autonomous Basque from Europe wanted to remove what from Spain could not (because, remember, I said that the concert is in accordance with Spanish law). Therefore, ordinary court resorted to Spanish (the High Court of Justice of the Basque Country), saying that the Economic territorial advantage was that it constituted illegal state aid incompatible with the European Union. Obviously, this is not so clear for everyone, only to critics of the concert.

Therefore, the TSJPV posed a question to the Court of Justice of the European Union. The Luxemburg's Court considered an infra-state body in this sentence, which meets the autonomic institutional procedural and economic requirements, does not necessarily incur in State aid prohibition, provided there are no compensations for lower taxation.

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I am not going to explain this statement, nor the case used by the Court of Justice of the European Union to basics, you can see here summarized.

This 'triple autonomy test' having been fulfilled, the reference framework established the Autonomous Community of the Basque Country as the territory of application of said regulations, and not the State. Thus closing the channel of appeal against provincial taxation on declaring its compatibility with European legislation.

Maybe from here on, national judges will no longer question the 'European-ness' of the Economic Concert, as it happened in the situation which led to the aforementioned Sentence of the Court of Justice of the European Union. The Basque Supreme Court itself understood it thus, following the Luxembourg line, dismissing the appeals based on the argument that the Provincial Regulations on Corporate Tax in question (Provincial Regulations on Corporate Tax in each Historical Territory) fit in the category of illegal state aid.

Therefore, the Economic in general as a system, and Foral or Provincial Rules including tax as a manifestation of "autonomy" Basque tax, have been appealed. Again, for wanting to violate the law understand that in Europe.

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The argument was that in the state applied different tax rules (most beneficial, but there would be no complaint, or yes, who knows), and that meant illegal State aid (the EU will accept some aids in certain cases, these were not, so who engaged in illegal). Of course the bottom line was that that "the State", Euskadi, by constitutional mandate (Spanish constitution 1st additional available, historical rights) are in effect a foreign tax laws to those given by the state for the rest of the territory.

The European Court of Justice was responsible for bringing this matter, and today the system is fully accommodate Concert in European law. No longer considered the scope of competence (tax/fiscal) Basque part of Spain, but for practical purposes (implementation of the European law) is considered a separate entity and differentiated state.



7. In conclusion

- Agreement model has undoubtedly contributed to the development and progress made by the Basque Country since the early Eighties (80).
- It served to cope with crises that hit hard before the BAC (at eighties) and should also help to overcome the current crisis.

- The model is not an island in the territorial model of the state. By contrast, the Agreement regulates it's accommodate and harmonization and respects the principle of solidarity.
- The effects of unilateral risk model in bad times. The fall in tax revenues is not compensated in the model for increased funding (via lower quota)...
- The Economic Agreement is ours.
- No one gives it, is recognized only because he was, because rights come from very ancient history.
- Because it is our history. It is the legacy left to us by our ancestors.
- It is the legacy we leave to our sons and daughters. Like being Basque.

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9. Links

- Juntas Generales de Bizkaia

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http://www.bizkaia.net/home2/Temas/DetalleDepartamento.asp?Tem_Codigo=5
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http://europa.eu/index_en.htm

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<http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>

- International Bureau of Fiscal Documentation (IBFD)

<http://www.ibfd.org/?bookmarkablePage=home>