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Working Party on GATS Rules

SUBSIDIES FOR SERVICES SECTORS

INFORMATION CONTAINED IN WTO TRADE POLICY REVIEWS

Background Note by the Secretariat[1]

Addendum

I. INTRODUCTION

1. This Note provides an update of the information on subsidies in services contained in Trade Policy Reviews. It complements the information provided in S/WPGR/W/25 as well as in Add. 1 to 4, and covers 51 Reviews carried out since the last update in February 2004 (WT/TPR/S/129 to 179).[2] Relevant new information has been added, in italics, in the overview table already contained in the previous documents (Table 1).

2. As explained in the preceding Notes, the compilation of information from TPR reports necessarily suffers from certain limitations due to the particular focus of these reports.[3] It also needs to be kept in mind that, while this Note compiles potentially relevant information against the background of the definition of "subsidy" and related concepts (e.g., "benefit", "financial contribution") contained in the Agreement on Subsidies and Countervailing Measures (ASCM), not all data recorded in TPR reports may be compatible with this definition. The following compilation focuses, in the light of Article 2 of the ASCM, on specific subsidies. While most reports contain some information on subsidies, the limited level of detail sometimes makes it difficult to identify, for example, the extent to which a benefit is actually being conferred or the identity of the recipient of the subsidy. As well, some of the subsidies mentioned in TPR reports may be financial contributions to services which are beyond the scope of the GATS, i.e., services provided in the exercise of governmental authority (Article I:3(b)) or services excluded through the Annex on Air Transport Services. Accordingly, the information contained in this Note, while aiming at facilitating discussions, does not prejudge whether the measures listed should be considered subsidies, nor does it imply any judgement on the objectives they pursue.

[1] This document has been prepared under the Secretariat's own responsibility and without prejudice to the positions of Members and to their rights and obligations under the WTO.

[2] As of 10 March 2007.

[3] See introductions to: S/WPGR/W/25, and Add.1 to Add. 4. For instance, the selection of Members to be reviewed, or the content of reports, is not driven by subsidy-related issues and problems, but rather by a Member's main policy challenges and constraints. As a result, the amount of information contained on subsidies in reports might vary from Member to Member. Also, TPR reports do not normally attempt to assess the possible distortive effects of subsidies on trade.

II. POLICY PATTERNS

3. The information contained in the TPR reports reviewed in this Note tends to confirm the general patterns identified in previous documents. Subsidies are found in the whole range of services sectors, but mainly in tourism, financial services and transport, especially maritime transport. Concerning the types of measures used, Members continued to rely on tax incentives more than on direct grants. Developing country Members also often use duty-free inputs as part of free zone incentives.

Table 1: Forms of financial assistance to services sectors - information from TPR Reports

➤ MEASURE ➤ ⮛ SECTOR ⮛	Direct grants	Preferential credit & guarantees	Equity injections	Tax incentives	Duty-free inputs & free zones	Other & unspecified measures	Number of WTO Members[2]
Tourism	Botswana Canada *Israel* Switzerland Liechtenstein Costa Rica Czech Rep. Slovak Rep. *Australia* Lesotho Morocco Turkey	Canada Nigeria[1] Iceland India Jamaica South Africa Trinidad & Tobago Turkey Grenada Mauritius Slovak Rep. Barbados Uganda Botswana Morocco *Belize* *Switzerland*	South Africa Burundi	*Nigeria* Argentina *Egypt* India Israel *Jamaica* *Nicaragua* *Philippines* Solomon Is. *Tanzania* *Trinidad & Tobago* *Uruguay* Madagascar Ghana Macau, China Costa Rica Dominica Grenada St. Kitt & Nevis Saint Lucia St. Vincent & G. Gabon Cameroon Mauritius Slovak Rep. Malawi Haiti Barbados Australia Dominican Rep. Zambia Venezuela Lesotho Morocco Niger Senegal Honduras Guyana Thailand Turkey Sri Lanka *Singapore* *Benin* *Burkina Faso* *Mali* *Belize* *Suriname* *Korea RP* *Brazil* *Liechtenstein* *Sierra Leone* *Qatar* *Paraguay*	Argentina *Egypt* India *Jamaica* Kenya *Nicaragua* Peru Solomon Is. *Tanzania* *Trinidad & Tobago* Turkey Uruguay Mozambique Ghana Macau, China Dominica Grenada S. Kitt & Nevis Saint Lucia St. Vincent & G. Malawi Haiti Barbados Burundi Morocco Niger Senegal Honduras Bulgaria Guyana *Burkina Faso* *Belize* *Suriname* *Sierra Leone* *Nigeria* *Ecuador* *Philippines* *Guinea* *Bolivia* *Malaysia* *Djibouti*	Guinea[1] Lesotho Singapore Brunei D. Mauritius Guatemala Slovenia Barbados New Zealand Indonesia The Gambia *Chinese Taipei*	76

➢ MEASURE ➢ ⮟ SECTOR ⮟	Direct grants	Preferential credit & guarantees	Equity injections	Tax incentives	Duty-free inputs & free zones	Other & unspecified measures	Number of WTO Members[2]
				Ecuador *Guinea* *Bolivia* *Malaysia* *Djibouti* *China*			
Transportation general or unspecified	Canada Switzerland Liechtenstein Czech Rep. *Australia* Namibia South Africa New Zealand *Korea RP*	Poland Grenada		*Philippines* Poland *Korea RP* Madagascar Slovak Rep. Malawi *Australia* Morocco Sri Lanka *Burkina Faso* *Suriname* *Brazil* *Japan* *Qatar* *Paraguay* *Egypt* *Djibouti* *China* *Tanzania*	Mozambique Malawi Venezuela Morocco The Gambia *Burkina Faso* *Suriname* *Philippines* *Egypt* *Djibouti* *Tanzania*	Brunei D. Czech Rep. Slovak Rep. Indonesia Bulgaria The Gambia Sri Lanka *EC* *Bangladesh*	37
Maritime transport	Australia Solomon Islands[1] Czech Rep. Pakistan India Turkey *Singapore* *Israel* *U.S.*	Thailand U.S. India		*Egypt* India *Jamaica* Peru *Singapore* Turkey *U.S.* *Brazil* *Japan* Mauritius Mexico Barbados Australia Venezuela *HK, China* Indonesia Honduras Turkey Sri Lanka *EC* *Philippines* *Malaysia* *Djibouti* *Tanzania*	*Egypt* *Jamaica* Papua N.G. Peru Turkey Pakistan Barbados Indonesia Honduras *Philippines* *Djibouti* *Chinese Taipei* *Tanzania*	EC Korea RP U.S. Mauritius India Australia *UAE*	32
Air transport	Canada *U.S.* *Iceland*	Papua N. G.	Hungary[1]	*Egypt* Macau, China Mexico Venezuela *HK, China* Niger Honduras *Singapore* *Mongolia* *Paraguay* *Philippines* *Djibouti* *Canada*	Hungary Papua N.G. Niger Honduras *Philippines* *Egypt* *Djibouti*	EC India EC New Zealand U.S. *UAE* *Colombia*	22
Rail transport	India Kenya	*Bolivia*		Australia Hong Kong,	*Tanzania*	Slovak Rep.[1] Malawi	

➢ MEASURE ➢ ⮟ SECTOR ⮟	Direct grants	Preferential credit & guarantees	Equity injections	Tax incentives	Duty-free inputs & free zones	Other & unspecified measures	Number of WTO Members[2]
	Switzerland Czech Rep. South Africa Turkey			China Senegal *Mongolia* *Tanzania*		India EC Indonesia Senegal	16
Financial services	Poland Brazil Australia South Africa *Korea RP* *Argentina*	Indonesia Thailand Poland EC U.S Costa Rica Slovak Rep.	HK, China Thailand Norway Slovak Rep. Mexico India[1] Indonesia Thailand Turkey *Korea RP* *Switzerland* *China*	*Singapore* *Tanzania* U.S. Poland Korea RP Switzerland Ghana Macau, China Mauritius Brazil Dominica St. Kitt & Nevis Malaysia India Barbados Australia *Rwanda* *Paraguay* *Egypt* *Trinidad & Tobago* *Guinea* *Bolivia* *Djibouti* *Kyrgyz Rep.* *Uganda* *Canada*	*Trinidad & Tobago* Jamaica Singapore Tanzania Thailand Trinidad & Tobago[1] Mozambique St. Vicent & G. Barbados Morocco The Gambia Mozambique Saint Lucia *Egypt* *Guinea* *Djibouti* *Chinese Taipei* *Tanzania*	Korea RP Brunei D. Czech Rep. Slovak Rep. India Barbados *Japan*	49
Software, info technology, communications, info processing	Canada *Australia* Turkey	Jamaica		Canada Egypt India Korea RP Grenada Slovak Rep. Pakistan *Australia* Sri Lanka *Belize* *Brazil* *Philippines* *Malaysia* *Djibouti* *U.S.*	Jamaica Trinidad & Tobago[1] Uruguay Madagascar Grenada Pakistan India The Gambia *Belize* *Philippines* *Malaysia* *Djibouti*	Korea RP Pakistan	21
Construction	U.S. *Australia* Chile	Argentina Poland *Chinese Taipei*		Argentina Bolivia *Trinidad & Tobago* Turkey Korea RP Poland India *Australia* Venezuela Niger Sri Lanka *Burkina Faso* *Suriname* *Brazil* *Mongolia* *Djibouti* *U.S.*	Mozambique Brunei D. India Niger *Burkina Faso* *Suriname* *Djibouti*		21

➢ MEASURE ➢ **⮟ SECTOR ⮟**	**Direct grants**	**Preferential credit & guarantees**	**Equity injections**	**Tax incentives**	**Duty-free inputs & free zones**	**Other & unspecified measures**	**Number of WTO Members[2]**
Recreation, culture & sports	Canada Korea RP Norway Australia	Jamaica		Bolivia Costa Rica Australia Niger Senegal Honduras Sri Lanka	Bolivia Israel Niger Senegal Honduras *Chinese Taipei*		13
Telecom	Peru Singapore *Australia* Venezuela El Salvador Canada Botswana Namibia Chile U.S.	India		India St. Kitt & Nevis[1] Venezuela *Singapore* *Burkina Faso* *Korea RP* *Mongolia* *Paraguay* *Nigeria* *Philippines* *Egypt* *Tanzania*	Trinidad & Tobago[1] Mozambique Saint Lucia India The Gambia *Burkina Faso* *Philippines* *Egypt* *Tanzania*	Mauritius India Niger The Gambia *Iceland* *Chinese Taipei*	28
Audiovisual services	Argentina *Canada* EC Australia New Zealand The Gambia			*Canada* *Jamaica* *Tanzania* Korea RP Mexico *Singapore* *Benin* *Burkina Faso* *Paraguay* *U.S.*	*Jamaica* *Tanzania* Burundi *Burkina Faso*	*EC* *Chinese Taipei*	17
Wholesale & retail trade, distribution	*Australia*	Turkey		Trinidad & Tobago *Korea RP* *Australia* Venezuela Honduras Sri Lanka *Japan*	Tanzania El Salvador Honduras Bulgaria The Gambia Sri Lanka *Chinese Taipei*		13
Real estate	Australia	India		Canada Japan Australia	Trinidad & Tobago		5
Energy	*Australia* Turkey			Madagascar Costa Rica Slovak Rep. Guatemala Haiti *Australia* Sri Lanka *Brazil* *Mongolia* *Nigeria* *Egypt* *China*	The Gambia *Egypt*	Brunei D. Guatemala India El Salvador Bulgaria U.S. The Gambia *Angola* *Bangladesh* *Canada*	22
Other & unspecified sectors	*Australia* New Zealand Morocco Turkey *Tunisia*	Australia Bangladesh Turkey Czech Rep. Uganda	Canada	Singapore *Korea RP* Costa Rica Dominica St. Kitt & Nevis Australia Venezuela Morocco Senegal Honduras	Hungary Singapore Dominica Saint Lucia St. Vincent & G. Mauritania Dominican Rep. Burundi Senegal Honduras	Brunei D. Czech Rep. Mauritius Slovak Rep. El Salvador The Gambia *HK, China*	45

➢ MEASURE ➢ ⮟ SECTOR ⮟	**Direct grants**	**Preferential credit & guarantees**	**Equity injections**	**Tax incentives**	**Duty-free inputs & free zones**	**Other & unspecified measures**	**Number of WTO Members[2]**
				Thailand *Benin* *Burkina Faso* *Belize* *Suriname* *Jamaica* *Paraguay* *Egypt* *Trinidad & Tobago* *Tunisia* *Guinea* *Malaysia* *Djibouti* *U.S.* *China* *Uganda*	Thailand The Gambia *Rwanda* *Burkina Faso* *Belize* *Suriname* *Jamaica* *Egypt* *Trinidad & Tobago* *Tunisia* *Guinea* *Malaysia* *Djibouti* *Chinese Taipei*		

1 Subsidy programme envisaged.
2 Counting EC as one.
Source: WTO Secretariat.

ANNEX

Content of Individual Trade Policy Reviews, March 2004 to March 2007

Rwanda - WT/TPR/S/129

P. 44, para. 93 and 94

Besides the incentives established in the Investment Code, investors operating in ZEFs should pay only 10 per cent of corporate tax for the 10 years following the entry into force of Law No. 14/98. They should also be exempt from duties and taxes on machinery, equipment and other inputs to production; all other taxes normally levied on enterprises; and withholding taxes and taxes on dividends. Other advantages afforded to them include a one-stop service provided by the RIPA; flexibility in the grant of work permits; and exemption from duties and sales tax on locally produced goods and services purchased as inputs to their production processes.

To be eligible for these benefits, the enterprises must contribute to the achievement of objectives such as: the creation of "quality" jobs; attracting modern technology and new investments; transfer of technology and skills; diversification of exports; utilization of locally produced raw materials; and full integration into the economy. Enterprises in ZEFs are required to export at least 80 per cent of their production; or to be engaged in the export of **services**. The same benefits are granted to enterprises manufacturing under bond that export 100 per cent of their output. Certificates of registration must be issued to investors within 10 working days.

P. 70, para. 81

The State participates extensively in **banking** activities and owns 86.75 per cent of CBR shares; 50 per cent of BK; 55.76 per cent of RDB; 69.02 per cent of the Mortgage Bank of Rwanda; 2 per cent of UBPR, and 1 per cent of the African Continental Bank in Rwanda (BACAR). The Mortgage Bank is wholly State owned.[4] Privatization of CBR and BACAR is under way. UBPR receives indirect State aid, in the form of tax exemptions, because of its role in poverty reduction, and in 2003, the World Bank provided US$50 million for that purpose. Foreign investors own 50 per cent of BK, 43 per cent of BANCOR, 34.11 per cent of RDB and 12.86 per cent of CBR.

Singapore - WT/TPR/S/130

P. 26, para. 34

In order to attract foreign investment, Singapore feels that it is necessary to offer not just a stable macroeconomic and business environment for companies to operate in, but also a range of incentives. Incentives for investment are provided mainly under two Acts, the Economic Expansion Incentives (Relief from Income Tax) Act (Cap 86) and the Income Tax Act (Cap 134). The incentives usually include concessional corporate tax rates of between 5% and 15% (the normal rate is 22%) or corporate income tax exemptions, depending on the scheme. Several schemes also give tax breaks on income from royalties or relief from withholding tax on royalties, in an attempt to attract foreign investment in high-value-added sectors (Chapter III(4)(ii) and Table III.7). Non-tax incentives include grants for certain activities (at present especially those relating to promoted high-value-added

[4] Another institution, the Savings Bank of Rwanda, (*Caisse d'épargne du Rwanda),* has been liquidated.

sectors), training, and R&D (Table AIII.4). In addition, incentives are provided for investors in several services, including **financial services, tourism, media services, and telecommunications** (Chapter IV).

<u>P. 47, para. 70</u>

In addition to Singapore's extensive tax concessions and exemptions for investors in Singapore (section 4(ii) below), the Government, through IE Singapore (previously the Trade Development Board), provides tax concessions to companies engaged in international trade. These include the Global Trader Programme (GTP), combining the previous Approved Oil Trader and the Approved Trader Incentive programmes, which provide a concessional tax rate of 10% (the current corporate tax rate is 22%) for approved companies and approved commodities and products. In addition, tax holidays and concessions are provided to encourage other activities such as international **shipping**, cyber trading, and for local companies to globalize their activities. Some overseas investment incentives are also provided (Table III.6).

Table III.6
Incentives offered by IE Singapore

Scheme	Eligibility	Incentive
Global Trader Programme (GTP) (formerly "Approved International/Oil Trader Scheme")	Established international players in their industry and responsible for international trading, procurement, marketing and distribution of qualifying commodities and products	Concessionary tax rates on international trading activities in approved commodities and products
Approved International Shipping Enterprise Incentive (AIS)	Established international shipping companies with worldwide networks and good track records	Tax exemptions for 10 years on income from qualifying **shipping** operations
Approved Cyber Trader Programme (ACT)	Companies conducting international business through the use of the Internet	Concessionary tax rate of 10% of qualifying offshore income in qualifying products
Double Tax Deduction for Market Development (DTD)	All Singapore registered companies or companies that are permanently established in Singapore with the primary purpose of promoting the trading of goods or provision of services	Deduction against taxable income of twice the eligible expenses incurred in the following activities as covered by Section 14B of the Income Tax Act: - Participation in overseas trade fairs/missions - Participation in approved local trade exhibitions - Setting up of overseas marketing offices - Master licensing and master franchising - Advertising in approved local trade publications - Printing of corporate brochures and catalogues for distribution in overseas markets - Engaging in market development activities, i.e market surveys, feasibility studies, advertising campaigns, promotional campaigns, design of packaging and product/services certification
Double deduction for overseas investment development expenditure	Eligible manufacturing and services companies.	Double deduction for qualifying expenditure incurred in approved feasibility studies and maintenance of overseas project offices against income

Scheme	Eligibility	Incentive
Overseas Investment Incentive (Revised Overseas Investment Incentive will take effect 1 January 2004)	Singapore registered company having at least 50% of its paid-up capital beneficially owned by citizens or permanent residents of Singapore As of 1 January 2004 the scheme will be available to all Singapore registered and resident companies willing to commit to having a substantial home base in Singapore	Under the revised programme approved Singapore-based companies may defer income tax due from their profitable operations in Singapore for two years if their approved overseas investment incurs operating losses during the first three years of the investment
Regionalization Finance Scheme	Singapore registered company with at least 51% local equity and with fixed productive assets of not more than S$30 million. If the company is involved in the provision of services, it must employ not more than 200 employees	Fixed-cost financing programme designed to assist local enterprises to globalize their operations. Fixed-rate loans are available under the scheme for acquiring fixed asset for overseas projects

Source: Information provided by the authorities.

P. 57, para. 99

Singapore continues to promote investment in certain sectors or activities through tax incentives. The incentives are provided under the Economic Expansion Incentives (Relief from Income Tax) Act and the Income Tax Act. Singapore is currently promoting high-skilled, research and development based activities. Thus, in addition to previous long-standing programmes, such as Pioneer Status, whose role has evolved from developing the manufacturing sector to high-value-added industries, new programmes such as the R&D and IP management hub scheme, and tax concessions on royalties, have been developed to encourage companies into high technology activities (Table III.7). Tax incentives are also offered to encourage services, including by the Monetary Authority of Singapore and the Singapore Tourism Board (STB) (Chapter IV).

Table III.7
Tax incentives offered by the Economic Development Board

Scheme	Eligibility	Incentive
Approved foreign loan scheme[a]	Company granted a minimum loan of S$200,000 from a foreign lender for purchase of productive equipment	Complete or partial exemption from withholding tax on interest payable to the lender
Approved royalties incentive[a]	Company paying royalties to a foreign partner	Full or partial exemption from withholding tax on royalties
Development and expansion incentive[a]	Firms engaging in new projects or expanding existing projects providing significant economic benefit for Singapore	Concessional tax rate of 5% to 15% for qualifying income streams
Double deduction for R&D expenditure[b]	Eligible manufacturing and services companies engaged in R&D	Double deduction for qualifying R&D expenses against income
Investment allowance incentive[a]	Proposed investment to be made within a qualifying period of not more than five years	Exemption on a specified proportion of expenditure of new fixed investment in productive equipment
International headquarters[a]	Companies providing management and other approved headquarters-related services to subsidiary, associated or related companies in other countries on an international scale	Concessional tax rate on income from providing qualifying HQ services to approved network companies
Pioneer status[a]	New manufacturing and service investments introducing skills substantially more advanced than the average industry level	Exemption from corporate income tax on qualifying profits for up to ten years
Regional headquarters[a]	Companies providing management and other approved headquarters-related services to subsidiary, associated or related companies in other countries on a regional scale	Concessional tax rate of 15% on income from providing qualifying HQ services to approved network companies for three years
R&D and IP management hub scheme[a]	Companies engaging in R&D and/or intellectual property management activities from Singapore	Exemption for a period of five financial years on foreign-sourced royalties or foreign-sourced interest remitted to Singapore to be spent on R&D

Scheme	Eligibility	Incentive
Tax concession on royalty income from approved inventions or innovation	Individuals receiving royalty income arising from an approved invention or approved innovation	Royalty income will be taxed (at 10%) on 10% of gross royalty or net royalty income (after deductions), whichever is lower
Technopreneur investment incentive[a]	Companies who invest in qualifying Singapore-based technopreneurial start-up activity	An investor in an approved company can deduct losses incurred from selling shares in the approved company against its/his own taxable income
Venture capital fund incentive[b]	Venture funds with activities in Singapore	Partial or full corporate tax exemption, for a set period, on income from divestment of shares, foreign dividend and foreign interest income
Writing-down allowance for acquisition of know how[b]	Companies engaging in Intellectual Property management activities in Singapore	Allows amortization of acquisition costs over five years for tax purposes
Writing-down allowance for cost sharing agreement[b]	Companies which have signed a genuine cost-sharing agreement to cost-share the expenses for R&D	Allows amortization over one to five years of cost-sharing payments in R&D, which would otherwise not be deductible

a Granted under the Economic Expansion Incentives (Relief from Income Tax) Act.
b Granted under the Income Tax Act.

Source: Economic Development Board, Government of Singapore.

P. 68, para. 3

Several services sectors have also been liberalized although government linked companies continue to pervade the sector. In banking, the Government decided in 1999 that it would open up the relatively closed domestic retail banking sector to competition and removed foreign investment restrictions; steps have also been taken to strengthen the supervisory and corporate governance frameworks. In insurance, limits to entry by insurance companies and a foreign equity restriction of 49% were removed. More widespread reforms have been carried out in telecommunications, with full competition permitted as of 2000, two years earlier than originally planned. As a result, there has been a substantial decline in telecommunication charges. In **transport** services, the Government has put in place several long- and short-term incentives to encourage growth in the sector and to assist its recovery from the SARS crisis in the region. Another key sector affected badly by recent international developments is tourism; the Singapore **Tourism** Board has responded by offering tax refunds, training, and other assistance for operators affected by the crisis. Singapore is also trying to build up the health services sector, particularly to encourage its use by international patients; the number of foreign medical schools that are recognized by the Singapore Medical Council has increased, although the registration of foreign-trained medical staff remains tightly regulated. Legal services remain relatively closed to non-Singaporeans practising Singapore law, although some reform has taken place recently; Singapore did not make any commitments under the GATS in this area.

P. 77, para. 33

Singapore continues to offer incentives to **financial** institutions; these involve mainly corporate tax exemptions and concessional corporate tax rates of 10% and 5% instead of the standard rate of 22% (Table AIV.2). According to the authorities, these incentives are used selectively to develop high-value-added activities and to facilitate the sector's growth. Incentives are targeted at financial intermediaries and specific services rather than at customers. Financial institutions (both foreign and national) may obtain these incentives as long as they are able to meet the qualifying criteria, including that most activities are carried out in Singapore. MAS monitors the effectiveness of all incentives through a series of post-implementation reviews. The incentives contain sunset clauses;

a comprehensive review must be undertaken and justification provided to the Ministry of Finance for an incentive to be extended.[5]

P. 92, para. 71 and 72

Singapore is actively trying to strengthen its position as a regional **aviation** hub. The CAAS announced the Air Hub Development Fund (AHDF), which will provide S$210 million worth of rebates and other incentives over three years. This includes a 15% discount on aircraft landing fees and rental charges at Changi and Seletar Airports, S$30 million worth of incentives to attract new airlines to Changi Airport and to encourage existing airlines to expand their network from Changi Airport, and S$50 million on traffic development programmes and promotional activities with airlines. The programme is expected to be in place for three years as of 1 January 2003. In addition, visitors are encouraged to shop at Changi Airport through the Global Refund Airport Shopping Vouchers scheme, which provides a further 10% on the refund value in GST refunds.[6] It is not clear if airlines are granted corporate tax exemptions.

To mitigate the effects of the downturn in tourism, temporary financial assistance was provided to airlines and passengers in 2001 and 2002. For example, a 15% discount on rental charges for all tenants at Changi Airport was introduced in 1 July 2001, followed by a 10% discount on aircraft landing fees on 15 October 2001; both expired on 31 December 2002 but have now been replaced by the AHDF. A S$44 million relief package was put in place to help airlines and airport businesses affected by the SARS outbreak. More recently, an Airlines Traffic Development Scheme offered financial incentives to airlines if they could bring more passengers to Singapore between June 2003 and October 2003; the size of the incentive was based on the increase in passengers. Incentives to aircraft leasing companies, which seem to have been provided at the time of the last Review, have been discontinued.

P. 94, para. 79

Section 13A of the Income Tax Act exempts from tax the income of a **shipping** enterprise derived from the operation of Singapore ships. The Approved International Shipping Enterprise Scheme, which provides a tax exemption for ten years on income derived from the operation of foreign-flag vessels is available for established international shipping companies with worldwide networks and good track records (Table III.6). In an attempt to encourage bunker suppliers to achieve a quality management system, the MPA is providing financial assistance for bunker suppliers who qualify for the Accreditation Scheme for Bunker Suppliers within a two-year period between 1 June 2003 and 31 May 2005; the assistance is in the form of a 30% relief on the certification fee for Technical Reference 8 (TR8):2003 on a quality management system for bunker supply (QMBS) chain.[7] In April 2002, the MPA created an S$80 million Maritime Cluster Fund (MCF) to help promote and strengthen the maritime cluster in Singapore. Around S$50 million of this has been set aside for training while S$30 million will be used to help shipping companies reduce operating costs in Singapore.[8] The $50 million portion will be used, among other things, to fund various maritime training programmes to upgrade the expertise in the local maritime sector, and to set up maritime-

[5] This has resulted in the removal of some incentives, for instance the Tax Incentive for Credit Rating Agencies.

[6] CAAS Press Releases, 1 August 2002 [Online]. Available at: http://www.caas.gov.sg/caas/press_release_content.jsp?DYNAMIC_FOLDER%3C%3Ef [4 November 2003].

[7] The accreditation qualifications include: having a minimum paid-up capital of S$200,000; having in place a Quality Management System for Bunker Supply Chain (QMBS) based on Technical Reference 8 (TR8):2003.

[8] MPA Singapore online information, "Maritime Cluster Fund". Available at: http://www.mpa.gov.sg/homepage/mcf-programs.html, [2 February 2004].

related professorships in the local universities. Other assistance programmes include the Maritime Innovation and Technology (MINT) Fund and the Maritime Enterprise IT programme.

P. 95, para. 83

Assistance is provided to ensure that **ships** continue to use the Port of Singapore. A concession of 20% on port dues offered to all container vessels in May 1996 remains in place and has been extended to 30 June 2004. From 1 May 2003 to 31 December 2003, a 50% port dues concession was granted to cruise ships, regional ferries, and passenger-carrying harbour craft to help them over the SARS crisis. In addition, the PSA offered, for one year effective July 2002, a 10% discount on all bills at PSA Singapore's cargo terminals and a 50% discount on handling charges for empty containers.

P. 100, para. 102

To address the recent downturn, a number of measures were taken, including confidence building promotional programmes and a S$230 million assistance package announced on 17 April 2003. This included: property tax relief; approval for companies to keep receipts from services tax on tourism until 31 December 2003 (effectively a tax remission); a temporary freeze on foreign worker levies until December 2003[9]; a bridging loan facility; and a manpower training fund. This assistance was in addition to the STB's other incentives for Singapore-registered entities. These are: double tax deductions for overseas promotion activities; income tax allowance of 20% for building and structural expenditure for the first year of operation (2% thereafter) for **tourism** projects; a tourism development assistance scheme, which provides up to 50% support for market and cluster development activities; and a property tax concession for tourism projects with an investment of S$3million. Efforts have also been made to liberalize tourism and recreational activities and to provide easier access to Singapore through easier visa procedures.

P. 124, table AIV.2

Table AIV.2
Incentives offered by the Monetary Authority of Singapore

Scheme	Eligibility	Incentive
Operational headquarters (OHQ) incentives	**Banks**, merchant banks, securities companies, **insurance** companies, fund managers	Concessionary corporate tax rate of 10% for five to ten years (renewable) for income from providing qualifying OHQ services to approved network and from conducting qualifying finance and treasury on its own account. Tax exemption for dividend income from approved network companies and on dividends distributed from the OHQ for five to ten years (renewable)
Double deduction for R&D expenditure	Banks, merchant banks, securities companies, insurance companies	Double deduction for qualifying R&D expenses against income
Tax incentive for Asian Current Unit (ACU) income	Banks and merchant banks	Concessionary tax rate of 10% on income derived from offshore ACU activities with non-residents and other qualifying financial institutions in Singapore
Tax exemption scheme for syndicated facilities	Banks, merchant banks and securities companies	Tax exemption for income derived from arranging, underwriting and participating in syndicated credit, guarantee and debt facilities which are arranged in Singapore and for which proceeds are used outside Singapore
Tax incentive scheme for asset management (AFM)	Fund managers	Approved fund managers (AFMs) are accorded a concessionary tax rate of 10% on fees and commissions derived from any funds managed, investment advisory services provided, or loans of securities arranged by the AFMs in Singapore Income from foreign investors for any designated investments from funds managed by or as a result of investment advisory services provided by any

[9] The foreign unskilled worker levy ranges from S$240 to S$470 per month; the levy is S$30 per month for skilled workers.

Scheme	Eligibility	Incentive
		fund manager in Singapore will be exempt from tax
Tax incentive scheme for approved trustee companies (ATC)	Trustee companies	Concessionary tax rate of 10% granted to companies and financial institutions on selected income streams from trust administration and custodian services offered in Singapore Investment income generated by foreign trusts exempt from tax
Tax incentive scheme for bond market activities	Banks, merchant banks, securities companies, insurance companies	Tax exemption for fee income from arranging, underwriting and distributing qualifying debt securities Interest income from qualifying debt securities paid to financial institutions and corporations in Singapore taxed at 10%; interest from qualifying debt securities payable to non-residents exempt from withholding tax; income from trading in any debt securities taxed at 10%; income from trading in Singapore Government securities by primary dealers exempt from tax
Approved bond intermediary (ABI) scheme	Banks, merchant banks, securities companies, insurance companies	Once a financial institution has been accorded ABI status, all debt securities lead managed by it would be treated as qualifying debt securities. The following tax incentives apply: (i) The ABI will be exempt from tax on fee income earned from arranging, underwriting and distributing the securities; (ii) The debt securities arranged by ABIs will be considered qualifying debt securities and automatically be eligible for the applicable tax incentives
Tax incentive scheme for equity capital market intermediary (ECMI)	Banks, merchant banks and securities companies	A concessionary tax rate of 10% will be granted to ECMIs on income derived from activities denominated in foreign currency relating to foreign securities or companies and from the provision of corporate advisory services relating to financial matters to persons outside Singapore. A concessionary tax rate of 5% will also be accorded to income derived by ECMIs from services rendered for non-residents or foreign companies in relation to transactions on the Singapore Exchange
Tax incentive scheme for approved derivatives trader (ADT)	Banks, merchant banks, securities companies	A concessionary tax rate of 5% will be granted for income derived from qualifying derivatives services and transactions undertaken by a financial institution granted the Approved Derivatives Trader (ADT) status. Payments on qualifying derivatives made by ADTs to non-residents will also be exempt from tax
Tax incentive scheme for approved new derivative products traded on the Singapore Exchange (SGX)	SGX corporate members	Concessionary tax rate of 5% will be accorded to the total income from transactions in each approved new product derived by qualifying SGX corporate members (to qualify for this concessionary tax rate, the SGX corporate member must be ranked amongst the top 20 trading members for that product)
Tax incentives for finance and treasury centres (FTC)	Corporates	Concessional rate of 10% on fee income received from the provision of financial and treasury services to approved network companies and income from conducting trading and other treasury activities on FTCs own account. Interest paid on foreign currency denominated loans from network companies and banks outside Singapore may also be exempt from withholding tax
Tax incentive for offshore insurance business	Insurance companies	Concessional tax rate of 10% on income from writing offshore insurance business
Tax incentive for approved marine hull and liability insurer scheme	Insurance companies	Tax exemption for income derived by approved marine hull and liability insurers from writing marine hull and liability insurance business
Scheme for tax-deductible special reserves	Insurance companies	General insurers can now claim tax deduction for special reserves set aside for certain offshore risks
Financial sector incentive scheme (FSI) From 1 January 2004, this incentive would replace the following seven tax incentives: - ABI	Companies carrying out the prescribed qualifying activities in Singapore would be eligible to apply for the FSI	Income derived from FSI standard-tier qualifying activities taxed at 10%, subject to a qualifying base taxed at the prevailing corporate tax rate Income derived from enhanced tier qualifying activities taxed at 5%

Scheme	Eligibility	Incentive
- ACU - ADT - AFM - ECMI - OHQ - Syndicated facilities		

Source: Monetary Authority of Singapore.

Benin - WT/TPR/S/131

P. 20, para. 35

The scope of the Investment Code covers the following: industrial processing; rural development (agriculture, livestock breeding, fishing, aquaculture, forestry); **tourism** and hotel services; industrial maintenance; electronic and mechanical assembly; cultural, artistic and **audiovisual** production (discs, pressing, tapes and production of cinematographic films); environmental protection activities; supply of services relating to **health**, **education**, public works and handicrafts.[10] The following activities are excluded: purchase of goods for resale without processing; repackaging and wrapping of finished products; supply of services other than those listed in Article 1 of the implementing decree; and activities that have a negative impact on the environment and health.

Burkina Faso - WT/TPR/S/132

P. 16, para. 35

In addition to the ordinary law regime, the current Investment Code includes six privileged regimes applicable to enterprises engaged in producing, conserving and processing goods; enterprises providing **health**, hotel and **tourism** services, **construction** and public works, **communications** and **cinemas**, **sanitation**, industrial maintenance, **transport**, and intellectual and/or technical expertise; and export enterprises. Enterprises engaged in mining exploration and operations are governed by the Mining Code (Chapter IV(3)(iv)).[11]

Mali - WT/TPR/S/133

P. 65, para. 69

Mali has considerable potential for leisure **tourism** (notably the Dogon country, Timbuktu, Djenné, Gao, Mopti, Ségou, Sikasso, Kayes and Kidal)[12], but this potential is difficult to exploit because of the high cost of air tickets to Mali and transport problems within the country.[13] In order to encourage the development of the tourism sector, a Tourism and Hotel Investment Code grants potential investors concessions such as exemption from the business tax, the tax on industrial and

[10] Article 1 of Decree No. 98-453 of 8 October 1998 defining the provisions for implementing Law No. 90-002 containing the Investment Code, amended by Law No. 90-033.

[11] Law No. 023/97/AN of 22 October 1997.

[12] http://www.tourisme.gov.ml/. In general, 60 per cent of leisure tourists visit the Dogon country, Timbuktu, Djenné, Gao and Mopti.

[13] Economic Mission, Embassy of France (2002f).

commercial profits (BIC) and customs duty on equipment.[14] Tourism establishments and travel agents must obtain an authorization to engage in the activity from the single window (Chapter III(3)(iii)(e)).[15]

Belize - WT/TPR/S/134

P. 51, para. 99, 100 and 103

The Fiscal Incentives Act provides full or partial exemptions from import duties and income taxes on investments by new or existing enterprises. According to the authorities, the duration of the incentives is determined in case-by-case negotiations with the firms. They indicated that, since 1998, exemptions have been granted from import duty and revenue replacement duty but not from other taxes.

Foreign and domestic firms may qualify for incentives under the Act. Qualification requirements for small and medium-sized enterprises, as defined in the Fiscal Incentives Act, differ from those for other companies (Table III.8). Small and medium-sized enterprises must be net foreign exchange earners, and may only benefit from incentives if their activity is in one of the following areas: agriculture and forestry; agri-processing; auto rental; arts and cultural activities; **computer and information technology**; fishing, operation of fish hatcheries and fish farms and **service activities incidental to fishing**; **health care services**; hotel, restaurant and other **tourism** services; manufacturing; and handicraft, woodcarving, and jewellery making. The Act defines a small or medium-sized enterprise as an enterprise with an annual turnover of less than BZ$500,000; net worth of BZ$300,000 or less; and an investment in machinery not exceeding BZ$300,000, among other criteria.

As at April 2002, 112 companies were receiving incentives under the Act. Some 40% of these companies were involved in tourism and tourism-related activities.[16] According to the authorities, the Fiscal Incentives Act has contributed substantially to the growth of the Belizean economy by promoting investment and production. Between September 1998 and early 2004, the Fiscal Incentives Act resulted in almost US$300 million in investment. The authorities also noted that the programme has contributed positively to employment, especially in non-traditional crops and value-added products. On the other hand, they estimate that the total revenue forgone as a result of the tax and duty exemptions under the Fiscal Incentives Act is BZ$3.1 million for 2003.

P. 60, para. 148

In addition to duty and tax exemptions, certain businesses registered in Belize can benefit from financial assistance available through the government-owned Development Finance Corporation (DFC). Assistance is in the form of preferential loans and is available to companies in the agricultural, fisheries, industrial, and **tourism** sectors. Between 2001 and 2003, the DFC approved some BZ$27 million in loans; close to three quarters went to the agriculture sector, and 20% to the industrial sector.

[14] Law No. 02-015 of 3 June 2002.

[15] Decree No. 96-128/P-RM of 18 April 1996 on the approval and operation of tourism establishments, Decree No. 96-144/P-RM of 3 May 1996 on conditions for engaging in the profession of travel agent; Decree No. 96-030/P-RM of 25 January 1996 laying down the administrative formalities for creating enterprises; and Decree No. 96-129/P-RM of 18 April 1996 setting the conditions for engaging in the profession of tourist guide.

[16] WTO document G/SCM/N/71/BLZ/Suppl.1, 7 March 2002.

<u>P. 90, para. 132</u>

The authorities note that fiscal incentives are offered for the further development of the **tourism** sector (Chapter III(3)(iv)), and further fiscal incentives are being considered (as at March 2004).

Suriname - WT/TPR/S/135

<u>P. 20, para. 36</u>

The Government's MOP 2001-2005 defines several policy initiatives aimed at supporting the development of the private sector in general.[17] In view of the shortfall in domestic savings, the small size of the domestic market, the lack of technical and managerial skills, and the underdeveloped capital market, the plan has placed particular emphasis on attracting foreign investment.[18] Among the various policy measures identified to achieve this is the reform of Suriname's investment law to provide greater scope for the granting of investment incentives. To this end, a new law, the Investment Law 2001, was adopted in June 2002. The Investment Law 2001 applies to a broader range of sectors than its precursor: agriculture, cattle-breeding, fishery, aquaculture, mining, forestry, **tourism** (except casino's), industry, trade, **construction**, services, and **transport**.

European Communities - WT/TPR/S/136

<u>P. 76, para. 126 and 127</u>

The legislative environment governing the award of state aid in the EC has remained largely unchanged since its last TPR. In accordance with the provisions of the EC Treaty, state aid that distorts intra-Community competition is prohibited.[19] However, under certain circumstances, exceptions to this prohibition may be applied for the purposes of regional development; certain horizontal objectives, such as supporting small and medium-sized enterprises, research and development, environmental protection, rescue and restructuring of firms in difficulty, employment, and training; and specific sectors, including coal and steel[20], synthetic fibres, motor vehicles, ship building, agriculture, fisheries and aquaculture, and **transport**. The current focus of policy is the reduction of the levels of state aid and its redirection towards horizontal objectives, as confirmed at the Brussels European Council meeting in March 2003.[21]

During the period under review, the Commission adopted a block exemption regulation on state aid for employment.[22] The regulation permits EC public authorities to provide aid to enterprises to increase their levels of employment, in particular, of workers from certain specified disadvantaged categories[23]; however, the aid granted should not adversely affect trading conditions in the common

[17] Government of Surimane (2001), pp.37-38.
[18] Government of Surimane (2001), pp.39-40.
[19] Article 87.
[20] Communication from the Commission concerning certain aspects of the treatment of competition cases resulting from the ECSC Treaty, OJ C 152, 26 June 2002.
[21] COM (2003) 225 final, 30 April 2003 [Online]. Available at: http://europa.eu.int/comm/competition /state_aid/scoreboard/2003/en.pdf.
[22] Regulation No. 2204/2002, 12 December 2002.
[23] Commission Regulation No. 2204/2002, article 2(f), 12 December 2002.

market. Other sector-specific state aid rules adopted relate to the **film industry**[24], ship building, and the steel and coal sectors (following the expiry of the ECSC Treaty). Furthermore, a multisectoral framework on regional aid was adopted to create greater transparency and to reduce the overall level of subsidies for large investment projects.[25]

P. 78, table III.12

Table III.12
EC State aid by sector, 2001[b]
(Per cent)

Type	EU	EC-15 Members[a]														
		B	DK	D	EL	E	F	IR	I	L	NL	A	P	FI	S	UK
Manufacturing	**25**	18	26	33	35	22	21	35	33	11	15	24	17	16	20	12
Tourism	**0**	0	-	0	-	0	-	2	1	-	-	1	1	-	-	0
Financial services	**2**	-	-	0	-	-	10	8	-	-	-	-	1	-	-	-
Media, culture and services	**1**	0	1	0	0	1	2	2	0	2	1	-	39	1	6	1
Employment and training in manufacturing and services	**3**	5	23	0	-	11	0	7	1	-	0	1	16	1	1	11
Transport	**46**	66	41	40	46	28	40	27	56	74	62	31	2	17	51	64
Agriculture and fisheries	**15**	11	9	9	18	16	21	18	10	13	22	42	25	65	21	11
Coal	**7**	-	-	18	-	22	6	-	-	-	-	-	-	-	-	1

a B: Belgium; DK: Denmark; D: Germany; EL: Greece; E: Spain; F: France; IR: Ireland; I: Italy; L: Luxembourg; NL: the Netherlands; A: Austria; P: Portugal; FI: Finland; S: Sweden; UK: the United Kingdom.

Source: COM (2003) 225 final.

P. 130, para. 131

On 29 October 2003, the Commission adopted new Guidelines on State Aid to **maritime transport**, aimed at further ensuring a favourable tax environment for ship owners to counter international competition by open registers and flags of convenience. The Guidelines follow the same approach as the previous 1997 version, but include, *inter alia*, clearer provisions on seafarers tax exemptions[26]; a modified flag-link principle for tax arrangements[27]; and new specific rules for short sea shipping.[28]

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[24] Communication from the Commission on certain legal aspects relating to cinematographic and other audiovisual works, OJ C 43, 16.2.2002, p. 6-17.

[25] OJ C 70, 19.3.2002, p. 8-20.

[26] Tax exemptions are granted to all seafarers, irrespective of their nationality or residence. However, for seafarers serving on board ships that provide regular passenger services between ports of the EC, such schemes only apply to EC/EEA citizens (European Commission Press Release IP/03/1484, 30 October 2003).

[27] The flag-link principle is the requirement that ships fly the flag of a member State to qualify for state aid. For this purpose, shipping companies operating less than 60% of their tonnage under an EC flag will have to maintain at least the same tonnage under the flag when the new Guidelines enter into force (European Commission Press Release IP/03/1484, 30 October 2003).

[28] Aid may be granted for the launching phase of new services, and must permit transport (of cargo essentially) by road to be carried out wholly or partly by sea. Aid is for a maximum of three years (European Commission Press Release IP/03/1484, 30 October 2003).

Republic of Korea - WT/TPR/S/137

P. 14, para. 5

Korea's relatively liberal FDI regime has benefited the economy. Foreign firms play an increasingly important role and are seen as an essential source of export growth. All kinds of FDI are allowed, including establishment, stock acquisitions, mergers (including hostile), and long-term loans. Sectoral restrictions on FDI have been relaxed. Only radio and television broadcasting, plus rice and barley growing, are wholly closed to FDI. Several, mainly infrastructure, sectors are partially closed and have foreign equity limits. Korea provides tax and other incentives to attract FDI, including in advanced technology activities, and in manufacturing, **logistics**, and **tourism** activities located in various types of designated zones. Investment incentives are being extended, including through the creation of three Free Economic Zones (FEZs) in 2003 (Incheon, Busan, and Gwangyang ports). A negotiable cash rebate was also introduced for foreign investors in 2004. On the other hand, income tax holidays are to be reduced from ten to seven years from 2005, as incentives become available to more foreign investors.

P. 34, para. 62 and 63

Korea continues to provide a range of mainly tax incentives for FDI. These generally consist of: full and partial corporate income tax concessions for up to a total of ten years; similar concessions on various local taxes (acquisition, property, registration, and land taxes); and full exemptions from customs duties (customs, special excise, and value-added taxes) on imported capital goods for up to three years. They apply to "greenfield" FDI and foreign stock acquisitions in eligible advanced technology investments and industry-supporting service industries; there are no minimum FDI levels for these tax incentives. The number of eligible industries was raised from 578 to 634 in July 2003 (FIPA and the Special Tax Treatment Control Law of 1999).

Korea also operates an elaborate system of zones to provide tax and other incentives, such as rent subsidies on state land. Certain FDI conditions for receiving tax incentives when locating in foreign investment zones (FIZs) were also relaxed. The requirement to employ a minimum number of local employees was removed from 2004, and minimum FDI levels lowered from: US$50 million to US$30 million for manufacturing; US$30 million to US$20 million for **tourism**; and from US$30 million to US$10 million for **logistic** businesses. Smaller-scale FDI in high-technology and manufacturing-assisting service businesses also became eligible for FIZ status in 2003. Since its last Review, Korea has extended its system of zones to provide wider access to such incentives, mainly aimed at trying to attract FDI to offset its recent decline. New zones, called free economic zones (FEZs), were formed to induce FDI through eased regulations, improved living conditions for foreigners, and enhanced tax incentives.[29] These apply to "greenfield" FDI in manufacturing, high-technology, logistics, and tourism activities located in FEZs, subject also to reduced minimum FDI levels from 2004 (Table II.4). The port city of Incheon was designated an FEZ in August 2003, and Busan and Gwangyang ports in October 2003. The FEZ Committee oversees the implementation of FEZs (Presidential Decree of the Free Economic Zone Act, 2002).

[29] MOCIE (2003), p. 8.

Table II.4
Main FDI tax incentives

Tax criteria	Tax incentives[a]	Conditions[a]
High technology businesses (FIPA & Special Tax Treatment Control Law, 1999, as amended) - declared eligible industry by Finance Ministry	*Corporate income tax:* full exemption for first 7 years of profit & 50% reduction for next 3 years *Local taxes (acquisition, property, registration & land)* full exemption for first 5 years and 50% reduction for next 3 years (local governments can extend for up to 15 years) *Customs duties, special excise & value-added taxes:* full exemption on imported capital goods (extendable for 3 years with Finance Minister's approval)	634 eligible industries, including 111 industry-supporting service businesses - increased from 568 eligible businesses in July 2003
Foreign Investment Zone (Foreign Investment Promotion Act, 1998) - designated by regional governments subject to approval by Foreign Investment Committee	*Corporate income tax:* full exemption for first 7 years of profit & 50% reduction for next 3 years *Local taxes (acquisition, property, registration & land)* full exemption for first 5 years and 50% reduction for next 3 years (local governments can extend for up to 15 years) *Customs duties, special excise & value-added taxes:* full exemption on imported capital goods (extendable for 3 years with Finance Minister's approval)	*Manufacturing (installing new or additional factory facilities)* in *newly developed FIZ:* - FDI of at least US$50 million & FDI ratio of 50% or more with 1,000 local employees or more *Manufacturing in existing industrial complex:* - FDI of at least US$30 million & at least 300 local employees *Tourism (new FDI notified by end-2003 & completed by end-2005):* - hotel/waterfront hotel/international convention - FDI of at least US$20 million - recreation/leisure/entertainment park facility - FDI of at least US$30 million *Logistics (composite freight terminal/operation of logistics hub and harbour facilities):* - freight transportation/handling/consignment and warehousing/freight terminal facility/freight transportation arrangement/logistics commissioner or agent - FDI of at least US$30 million
Free Economic Zone (Free Economic Zone Act, 2002) - three ports designated	*Corporate income tax:* full exemption for first 7 years of profit & 50% reduction for next 3 years *Local taxes (acquisition, property, registration & land)* full exemption for first 5 years and 50% reduction for next 3 years (local governments can extend for up to 15 years) *Customs duties, special excise & value-added taxes:* full exemption on imported capital goods (extendable for 3 years with Finance Minister's approval)	*Manufacturing:* - FDI of at least US$50 million *Hi-tech & manufacturing-assisting services:* - FDI of at least US$30 million *Logistics:* - FDI of at least US$30 million *Tourism:* - FDI of at least US$20 million
	Corporate income tax: full exemption for first 7 years of profit & 50% reduction for next 2 years *Local taxes (acquisition, property, registration & land)* full exemption for first 5 years and 50% reduction for next 2 years (local governments can extend for up to 15 years) *Customs duties, special excise & value-added taxes:* full exemption on imported capital goods (extendable for 2 years with Finance Minister's approval)	*Manufacturing:* - FDI of at least US$10-50 million *Hi-tech & manufacturing-assisting services:* - FDI of at least US$10-30 million *Logistics:* - FDI of at least US$10-30 million *Tourism:* - FDI of at least US$10-20 million

a As from 2004, the minimum FDI limits on new projects were reduced from US$50 million to US$30 million for manufacturing, from US$30 million to US$20 million for tourism, and from US$30 million to US$10 million for logistic businesses. The minimum requirement for local employees was also removed. A negotiable cash rebate of around 10% of the FDI amount was also introduced in 2004 for investment in high-technology projects exceeding US$10 million and in R&D facilities exceeding US$5 million. It was also announced that the ten-year income tax concession would be reduced to seven years (100% for five years and 50% for two years) from 2005.

Source: The Korean authorities.

P. 70, para. 134 and 137

SMEs still benefit substantially from tax incentives, despite recent changes (e.g. abolishing tax deductibility of investment reserves set aside for losses and lowering special income tax concessions from end 2003). Incentives include: tax credits of 3% of investments in machinery and equipment; and an income tax holiday (half the rate for six years) for new SMEs located outside the Seoul metropolitan area (property tax on business assets is also reduced by half for five years and the acquisition and registration taxes abolished for two years). Special income tax incentives of a 15% rate reduction (10% if located in metropolitan areas) also apply to SMEs in many activities, including manufacturing, fishing, **tourism**, stock raising, and **telecommunications**. SMEs in wholesale, retail, **medical services**, or **auto repairs** located in non-metropolitan areas receive a 5% rate reduction. SMEs also receive larger tax incentives generally available to all activities. For example, they receive much larger tax credits for certain investment, such as in technology and human resource development.

Two major public institutions, the Industrial Bank of Korea (IBK) and the Korean Development Bank (KDB), play a substantial role in industrial development. Although they are run commercially, the Government, while having no direct control over their lending programmes, influences their management, operations and policies, and tends to use them as an arm of industry policy.[30] Government guarantees any losses. Following the Asian financial crisis, both **banks** received substantial government capital injections to boost their capital adequacy ratios (IBK of W 1.7 trillion in October 1998 and of W 100 billion in January 1999, and KDB of W 3.050 trillion in 2001).

P. 97, para. 67

Government-led financial restructuring occurred immediately after the crisis in 1998, and from September 2000. Total public funding for financial sector restructuring to end-September 2003 was W 161 trillion, equivalent to one quarter of GDP (Table IV.4)[31]; the Government directly contributed W 19 trillion. Just over half of total public funding was for **bank** restructuring; most (one-third) was used by the Korea Deposit Insurance Corporation (KDIC) to re-capitalize financial institutions, including **insurance** and securities companies, and about one quarter by the Korea Asset Management Corporation (KAMCO) to purchase distressed assets and reduce exposure to non-performing loans (those classified as substandard or below (SBLs)). A substantial share of public funds (40%) have also been used to repay deposits in non-bank institutions; no such repayments have been made on bank deposits. Use of public funds declined rapidly, to W 5.8 trillion in 2003 (until end-September). KAMCO's mandate to purchase bad loans ended in November 2002.

[30] For example, each fiscal year during the work approval process, the Government regulates the financing and scale of their lending programmes.

[31] As at end 2003, some one third of these funds had been recovered. The long-term recovery rate is expected to be 56%.

P. 98, table IV.4

Table IV.4
Use of public funds for financial sector restructuring, as at end-September 2003
(W trillion)

Institution	Korea Deposit Insurance Corporation (KIDC)				KAMCO	Government	Total
	Repayment of deposits	Re-capitalization	Compensation for losses	Asset purchases			
Aggregate injection of funds from end-1997 to end-September 2003							
Banks	0	22.2	13.8	8.1	24.6	18.1	86.7
Non-banks	29.2	25.4	3.3	0.9	14.5	0.9	74.3
Merchant banks	17.2	2.7	0.2	0	1.6	0	21.7
Securities companies	0	6.8	0	0	1.8	0.9	9.5
Insurance companies	0	15.9	2.9	0.3	1.8	0	21.0
Investment trust management companies	0	0	0	0	6.6	0	6.6
Mutual saving banks	7.3	0	0.2	0.6	0.2	0	8.2
Credit unions	4.7	0	0	0	0	0	4.7
Others	0	0	0	0	2.4	0	2.4
Total	**29.2**	**47.6**	**17.1**	**9.1**	**39.1**	**19.0**	**161.0**
Injection of funds during January 2002 to end-September 2003							
Banks	0	0.1	0.1	1.1	0.1	0	1.4
Non-banks	3.5	0	0.6	0	0.2	0	4.3
Merchant banks	0	0	0.2	0	0	0	0.2
Securities companies	0	0	0	0	0	0	0
Insurance companies	0	0	0.4	0	0	0	0.4
Investment trust management companies	0	0	0	0	0.2	0	0.2
Mutual saving banks	0.8	0	0.1	0	0	0	0.9
Credit unions	2.7	0	0	0	0	0	2.7
Others	0	0	0	0	0.1	0	0.1
Total	**3.5**	**0.1**	**0.8**	**1.1**	**0.3**	**0**	**5.8**

Source: Korean authorities.

P. 111, para. 123

Market access to the passenger road transportation sector is regulated. The main barriers to entry apply to major "route" buses and taxis where new entrants are subject to an economic needs test. Local governments set bus and taxi fares based mainly on costs. **Bus companies** receive partial subsidies for losses in the form of matching central-local government funds, and along with taxi operators, are partially exempt from fuel taxes. The State is not involved in the trucking (cargo) sector. The Trucking Transport Business Act was amended in January 2004 to tighten entry barriers by moving from a registration to a permit system. The Ministry grants permits to new entrants or for incumbents to expand operations using an economic needs test, aimed at matching demand and supply. Cargo charges have been deregulated since 1998, except for rescue/salvage and special towing services. These charges must be reported (filed) to the Ministry. **Trucking operators** are also partially exempt from fuel taxes. No foreign investment restrictions apply to the trucking sector.

Jamaica - WT/TPR/S/139

P. 62, para. 105

The EIEA provides income tax and duty relief for companies exporting 100% of their production to non-CARICOM markets, with the possibility of carrying forward losses incurred during that period for a further six years. Manufacturers exporting at least 5% of their production to non-CARICOM countries also qualify for tax relief; the level of the relief is proportional to the level of export sales. In addition, the Minister in charge of the industry can declare a product to be an "approved export product"; in this case any company that produces or intends to produce the products may benefit from EIEA incentives. A company manufacturing an approved export product is under supervision of the Customs Department and is considered to be a private warehouse within the meaning of the Customs Law. The EIEA was initially confined to manufacturing companies, but, in 2001 **services** were included under the scheme. The activities of EIEA beneficiaries are monitored by Customs. The estimated revenue forgone under the EIEA for 2000 (the most recent year available) was US$2.7 million, covering exports of a value of US$109 million.[32] As at July 2004, there were three beneficiaries of the scheme.

P. 63, para. 107

The Foreign Sales Corporation Act grants fiscal incentives to foreign sales corporations exporting to the United States, on imports used in the production of exports, and on qualified income generated in foreign trade transactions.

Table III.6
Legislation notified as containing export subsidies

Legislation	Sectors	Beneficiaries/requirements	Concessions/time limits
Export Industry Encouragement Act (EIEA)	Manufacturing and services	Manufacturing companies exporting 100% of the production of the approved product to non-CARICOM markets; services providers servicing clients in non-CARICOM countries	Full income tax relief on profits or gains. Full relief from import duties, excise duties and GCT on raw materials and capital goods. Time limit: 10 years
		Partial exporters (producers exporting a 5% threshold to non-CARICOM countries)	Tax relief proportional to the level of export sales. Time limit: ..
Industrial Incentives (Factory Construction) Act	Manufacturing	Approved builders constructing factories to be leased or sold to manufacturers or service providers operating under the EIEA; Free Zone developers	Total relief from import duties and GCT for articles for factory construction and for repairs of factories. Exemption from income tax on earnings from factory leasing, or from profits made on sales. Time limit: 15 years
Foreign Sales Corporation Act	Services	Foreign sales corporation exporting to the United States	Total relief from import duties, stamp duty and retail sales tax on imports of machinery, equipment and raw materials Exemption from income tax (including company profits tax and additional company profits tax) in respect of income arising from foreign trade transactions. Exemption from income tax on dividends paid to foreign share-holders, on interest on loans or deposits and other approved investments activity, and on qualified income generated in foreign trade transactions for up to 5 years. Time limit: 15 years (extendable for 15 years)

[32] WTO document G/SCM/N/99/JAM, 3 July 2003.

P. 72, table III.8

Table III.8
Fiscal incentives available in Jamaica

Legislation	Beneficiaries/requirements	Concessions/time limits
Foreign Sales Corporation Act	Foreign sales corporations	Exemption from income tax Exemption from customs duty, stamp duty and retail tax on imports of equipment, machinery or materials Time limit: indefinite
Industrial Incentives Act	Enterprises manufacturing approved products	Exemption from taxes on dividends Customs duty relief of 50% or 100% Time limit: up to 10 years
Urban Renewal (Tax Relief) Act	Persons or organizations that facilitate or carry out urban development in depressed areas	Exemption from income tax, stamp duty, and transfer tax. Time limit: not specified
Co-operative Societies Act	Registered cooperatives societies	Exemption from income tax and stamp duty Time limit: not specified
Income Tax Act	Enterprises in various sectors	Initial allowance of 20% of the cost of industrial buildings, plant and machinery for the year of their acquisition 12.5% allowance of the cost of motor vehicles Investment allowance of 20-40% of capital expenditure (basic industries only) Special allowance on machinery and equipment used on two or more shifts per day (specified industries only) Special investment allowance of 40%, with a write-off period of 17 years (sugar industry only) Special investment allowance of 40%, with a write-off period of 11 years (other agricultural products) Special capital allowance scheme for plant and machinery (rates of allowance determined by the Commissioner of Mines) (mining sector only)
Income Tax Act – Accelerated Depreciation Programme	All manufacturing companies All companies that derive at least 20% of their income from exports, including companies engaged in promoting **data processing** and systems development	Deduction from income of 50% of the full cost of any new machinery in the year of purchase and another 50% the following year Time limit: 2 years
Modernization of Industry Programme	Investors providing necessary support, service or raw materials to export manufacturers; or being (or planning to be) involved in export activities Enterprises in manufacturing and **tourism**	Exemption from GCT on imported machinery and equipment for the modernization and retooling of factories Time limit: not specified
Bauxite and Alumina Industries Encouragement Act	Businesses engaged in the mining of bauxite or the production of alumina	Total tariff relief for the importation of capital goods, lubricating oils, grease, and chemicals Exemption from GCT and SCT on lubricating oils, grease, and other products. Time limit: indefinite
Petroleum Refinery Encouragement Act	Registered oil refiners	Duty-free imports of articles for the construction and operation of the refinery, and for manufacturing petroleum products Exemption of income tax and tax on dividends paid to shareholders for up to 7 years; 6 additional years to carry forward net losses Time limit: ..

Legislation	Beneficiaries/requirements	Concessions/time limits
Motion Picture Encouragement Act	Recognized **motion picture** producers	Exemptions from import duties on equipment, machinery, and materials used in motion picture production or to build studios Income tax relief for 9 years Investment allowance of 70% of expenditure on the facilities for 9 years or beyond Time limit: various
Hotel Incentives Act	New **hotels** with at least ten bedrooms, or hotels doing a substantial structural alteration	Income tax relief for 9 years Income tax relief on dividends paid to shareholders Duty-free importation of building materials and furnishings Relief from GCT Time limit: 10 years (15 years for convention-type hotels)
	Existing hotels adding a minimum 10 rooms or 30% of the existing number of rooms (whichever is higher); Approved convention hotels with 350 or more bedrooms	Income tax and import duty relief Time limit: 15 years
Resort Cottages Act	Cottages with at least two furnished bedrooms	Duty-free importation of building materials and furnishings Income tax relief for 7 years Time limit: 7 years
Shipping Act	Business entities that own Jamaican ships	Exemptions from import duties for articles imported for use in the operation of exempted ships (e.g. a registered Jamaican ship, engaged in foreign-going trade) for up to 10 years Time limit: 10 years
Customs Act	Farmers and farming enterprises (see Chapter IV(2))	Duty concession on the importation of farm vehicles (i.e. panel vans, pick-ups, trucks, tractors - heads and trailers) Time limit: not specified
Income Tax Act	Any person engaged in an agricultural activity prescribed by the Minister of Finance and declared "approved farmer" (see Chapter IV(2))	Income tax relief Time limit: 10 years, extendable for a further 5 years

.. Not available.
Source: WTO Secretariat.

P. 90, para. 8

Tourism continues to be Jamaica's main earner of foreign exchange. The sector was affected by the 11 September 2001 terrorist attacks, but has since recovered. Incentive schemes, including relief from income tax and import duties, appear to be particularly important in the tourism sector.

P. 131, para. 160

Jamaican business entities may benefit from fiscal incentives. Jamaican **ships** engaging in foreign trade may be declared "exempted ships"; the entities that own or operate an exempted ship (approved shipping entities) may be exempted from income tax in respect of gains derived from ownership or operation of the ship for ten years, renewable. Approved shipping entities are also exempt from transfer tax, stamp duties, and customs duties and GCT on imports to be used for the operation of an exempted ship.

P. 133, para. 170 to 176

The **tourism** industry benefits from a number of incentives schemes. The Hotel Incentives Act (HIA) allows for a ten-year relief from income tax, GCT, and import duties for specific types of building materials, machinery and equipment. For convention-type hotels with 350 or more bedrooms, relief is granted for 11 to 15 years. Under the HIA, relief is available for ten years to: new hotels; existing hotels adding a minimum of ten rooms or 30% of the existing number of rooms, whichever is greater; or existing hotels that intend to do substantial structural alterations. To be considered as a hotel, there must be at least ten bedrooms, as well as facilities for meals.

The Resort Cottages Incentives Act (RCIA) encourages investment in cottages, villas, apartments, and townhouses in resort areas, typically by private investors. Cottages must have at least two bedrooms, a furnished living room, kitchen, and bathroom. Income tax relief is available for seven years on new resort cottages. If the same owner builds a group of resort cottages containing at least ten bedrooms in the same village or district, the owner is entitled to seven years relief from GCT, income tax, and importation duties.

The Government also provided assistance until April 2003 to establishments that did not qualify for benefits under the HIA or the RCIA, through the Short-term Incentives Programme (STIP), as was previously the case with the Tourist Accommodation Refurbishing Programme. The first Phase of the STIP was put in place in November 1999 and ended in November 2000; the second Phase (STIP II) started in October 2001 and ended in April 2003. The benefits in the first Phase consist in the granting of General Consumption Tax (GCT) and customs duty concessions on specific items bought locally or imported for the refurbishment and/or expansion of accommodation facilities and natural or man-made attractions; they were granted only for accommodation facilities only in the second Phase, which was not applicable to tourist attractions. Concessions similar to those which may be obtained by larger properties under the incentives legislation currently in place were granted to hotel properties with less than ten bedrooms and apartments and villas whose configurations do not allow them to be classified as either a hotel or resort cottage, for the purpose of building and refurbishing activities. Benefits were granted based on an expanded list of items as provided in the schedule to the HIA and RCIA. Attractions were granted benefits in the first Phase of the STIP, on the condition that the definition of attraction and the list of items were agreed by the Ministry of Finance and Planning.

The STIP II was also available to large properties of over 100 hundred rooms, but subject to an assessment of their eligibility by a Committee led by the MIT.

During the first Phase of the STIP, 24 tourism entities: seven hotels, one villa, nine natural man-made and seven water-based attractions received benefits. During STIP II, ten hotels were approved for benefits, four of these were large properties with more than 100 rooms.

The MIT put in place in 2001 an Emergency Incentive Scheme (EIS), a short-term assistance programme for tourism industry operators affected by the 11 September 2001 events. The EIS, in place from 1 October 2001 to 30 September 2002, provided benefits for refurbishing accommodation and attractions facilities, in the form of waivers on all taxes, included import duties, except the GCT.

The Small Hotel Assistance Programme, a short-term incentives programme, for the period July-September 2002 provided financial and technical support to small hotels, villas, guest houses, and tourist attractions to help them meet regulatory standards in health, safety and security. The programme was for J$5 million, with a maximum of J$300,000 (US$5,000) per beneficiary.

Brazil - WT/TPR/S/140

P. 94, para. 263 and 264

Through the FINAM/FINOR programme, regulated by Law No. 8,167 of 16 January 1991, Law No. 9,532 of 10 December 1997, and Law No. 9,808 of 20 July 1999, businesses were entitled to deduct 18% of their income tax to be invested in the Amazon or north-east regions. The funds are channelled through the Amazon Investment Fund (FINAM) or the Northeast Investment Fund (FINOR) for investment in projects by any enterprise located in the legal Amazon or north-east regions that can generate jobs and income and promote regional development. The programme, previously administered by the SUDAM and the SUDENE, is under the responsibility of the Ministry of National Integration since 2001.[33] However, since no new projects are being financed it is currently aimed at providing credit disbursements for some 700 pending SUDAM/SUDENE projects.

Projects financed by FINAM or FINOR included: **construction**; acquisition of machinery, equipment, and devices; acquisition of know-how; furniture and utensils; preparation of area and soil for plantation; acquisition of seeds and seedlings for transplant; installation of nurseries and clone gardens; plantation, agricultural and cattle installations; and acquisition of animals. Private sector projects directed towards agriculture and cattle breeding, agri-industry, tourism, fishing, forestation/reforestation, **energy**, **transportation** and **communications** were given priority.

P. 169, para. 287 and 288

Proceeds from the collection of the AFRMM are destined the Merchant Marine Fund (FMM), to be used for the financing of projects for ship construction, repair or improvements in Brazil, as well as shipyards and facilities established or to be established in the country. The funds are managed by the BNDES, on behalf of the FMM and the Ministry of Transport

The domestic **shipping** industry may also receive other incentives. Freight receipts from the international transportation of merchandise by an EBN in ships registered in the Special Brazilian Registry (REB) are exempt from the Social Integration Programme (PIS) and the Contribution for Social Security (COFINS).[34] The construction, maintenance, repair, and modernization of REB-registered ships in Brazilian shipyards benefit from the same fiscal treatment granted to exports of industrial goods in general. Also, Brazilian shipbuilders and shipyards established in the country may receive credits from the BNDES at interest rates ranging from 4% to 6%, with repayment periods of up to 20 years, and for up to 90% of the total cost of the project.

Switzerland and Liechtenstein - WT/TPR/S/141

P. 74, para. 130 (Liechtenstein)

The Liechtenstein authorities have indicated that economic subsidies exist only for: agriculture, for which direct payments in 2003 amounted to Sw F 10.6 million (Chapter IV(2)); **tourism**, financial support of some Sw F 600,000 per year for international tourism marketing activities (Chapter IV(9)); and public transport, financial assistance of Sw F 14.5 million per year. However, as Liechtenstein is a member of the EEA, its companies may participate in EU programmes, such as the Sixth Framework Programme for research and development of the European Community and the Multiannual Programme for Enterprise and Entrepreneurship, and, in particular, in programmes for small and medium-sized enterprises, to which Liechtenstein contributes funding.

[33] WTO document G/SCM/N/71/BRA, G/SCM/N/95/BRA, 30 July 2003.
[34] Law No. 9,432, 8 January 1997.

P. 76, para. 140 (Switzerland)

Certain cantonal **banks** (see also Chapter IV(11)) have received substantial sub-federal assistance in recent years, usually as cantonal investments, to assist in recovery. For example, the Geneva Parliament was authorized in May 2000 to borrow Sw F 246.2 million to purchase shares in the ailing *Banque cantonale de Genève* (BCG), which had high-risk or non-performing assets of approximatedely Sw F 5 billion in 2000.[35] The total cost to Geneva taxpayers of this bank's rescue was budgeted at Sw F 2.7 billion.[36] Similarly, in February 2003, following serious financial difficulties, the Canton of Vaud provided the *Banque Cantonale Vaudoise* with Sw F 1.25 billion in additional share capital.

P. 125, para. 122 (Switzerland)

The first phase of the rail transport reform began in 1999, and included an obligation for companies to distinguish transport services from transport infrastructure for accounting and organizational purposes. It also established access to the Swiss rail network for all companies, against payment. The bilateral agreement with the EU on land transport extended this access to EU/groupings and to EU/railway undertakings (for combined transport) as of 1 June 2002. However, access can be granted to any railway company outside the EU on the basis of a bilateral agreement with the country where the railway company is established and if certain conditions are met. In 1999, the Swiss Federal Railways (SBB) was transformed into a joint-stock company and was granted more management powers. However, the SBB is still fully owned by the Confederation and therefore remains under the supervision of the Federal Council. The SBB still holds exclusive rights over long-distance passenger services. In exchange for this privilege, the SBB is assigned specified basic tasks by the Federal Council (e.g. regular supply of basic rail transport services throughout the country). The Swiss Confederation and cantons also provide financial assistance to suppliers of **rail transport services** for services ordered by the public authorities.

P. 132, para. 159 (Switzerland)

The Federal Government plans to provide support of Sw F 200 million in the 2005-09 period (Sw F 40 million annually) in favour of a "results-oriented destination marketing" by Switzerland Tourism[37], with results to be measured by the actual number of tourists. The existing instruments of support to tourism have been modernized and endowed with new funding. A budget of Sw F 35 million for the 2003-07 period was adopted for Innotour, a governmental programme for the promotion of innovation and education in tourism. The Swiss Society for Hotel Credit (*Société suisse de crédit hôtelier*), a public corporation, was granted a new interest-free loan of about Sw F 60 million, which is to be allocated by the Society as credit to **hotels** in mountain regions. The Society provides concessional loans and credit guarantees to small and medium-sized companies investing in tourist areas, in accordance with a federal law on accommodation of 20 June 2003.[38]

[35] Etat de Genève, "General Memorandum concerning the Foundation for Valorization of the Cantonal Bank of Geneva Assets", April 2001.

[36] Etat de Genève, *Rapport annuel de la Commission de contrôle de la Fondation de valorisation des actifs de la Banque cantonale de Genève*, Session of 21 September 2001, available at: http://www.geneve.ch/grandconseil/memorial/data/540411/45/540411_45_partie3.asp.

[37] Switzerland Tourism is a public corporation in charge of communication and marketing in the tourism subsector.

[38] *Loi fédérale sur l'encouragement du secteur de l'hébergement*, RS 935.12.

Japan - WT/TPR/S/142

P. 42, para. 62

The framework of Japan's promotion measures for inward FDI has remained generally the same since its previous Trade Policy Review. The 1992 Law on Extraordinary Measures for Promotion of Imports and Facilitation of Foreign Direct Investment in Japan, valid until 2006, its related ordinances, and other relevant legislation, outline measures for investment promotion that mainly comprise financial support such as low-interest loans and loan guarantees, and technical support (Table III.6). According to the authorities, these measures apply equally to domestic and foreign companies registered in Japan.

Table III.6
Measures to promote foreign direct investment into Japan, FY 2004

I.	**Loan guarantees through the Industrial Structural Improvement Fund (ISIF)**
	(a) Relaxation of conditions for obtaining certification as a Designated Inward Investor: A company that has been operating for less than eight years (currently five years) is eligible for certification.
	(b) Relaxation of conditions for obtaining loan guarantees from ISIF: currently, in order to obtain loan guarantees, as a rule, ISIF requires the backing of a capitalized enterprise and a legal representative of the borrower as a backer of guarantees. The condition of requiring a guarantee backer is abolished when the backing of a capitalized enterprise can be obtained.
II.	**Provision of low-interest financing from the Development Bank of Japan, etc.**
	(a) Expanding eligible projects
	Former limitation that required establishment in one of six industrial high-tech fields has been eliminated. Projects establishing facilities (including land) for lease by foreign companies and foreign affiliates with one third foreign ownership or more, or any company establishing office buildings in which the main tenants are non-Japanese businesses are eligible.
	(b) Creating new loan programmes
	Loan programme for promoting market entry of foreign-affiliated firms: in addition to the capital investment finance, the new programme will finance related working capital needs (e.g. rent for facilities, property tax, insurance premium).
	Loan programme for facilitating international cooperation between enterprises: if the foreign share in the company exceeds 1/3 of total equity as a result of M&A, the company can obtain JDB loans for capital investment afterward. Corporate alliances involving transfer of operations are also eligible for this loan programme.
	Loan programme for supporting environment-friendly management systems: if the foreign companies pass the bank's evaluating process, they can obtain a low-interest loan and the bank guarantees the company's bonds in order to support the projects.
III.	**Import promotion measures**
	(a) Tax reductions, applied to national and local taxes, for foreign access zone (FAZ) related businesses. Businesses undertaking activities to promote distribution of imported cargo (wholesalers, manufacturers, transporters or retailers dealing with imported goods) within specified zones for congregation in FAZ areas designated by the local governments of approved FAZ areas can make use of following tax reduction measures:
	Reduction of national taxes (Tax Incentives for the Promotion of Business Congregation within the FAZ Areas): special depreciation with regard to certain machinery, facilities, buildings, etc. acquired for their business use. (The rate of special depreciation is: 22% for machinery and facilities; 10% for buildings.)
	Reduction of local taxes: exemption from special landholding tax on the land for the facilities. Also eligible for a reduction or exemption from the real estate acquisition tax and fixed assets tax.
	(b) Loan guarantees and exceptional measures provided by the Small Business Credit Insurance for FAZ-related businesses: businesses undertaking activities to promote distribution of imported cargo (**wholesalers**, manufacturers, **transporters** or **retailers** dealing with imported goods) within specified zones for congregation in FAZ areas designated by the local governments of approved FAZ areas can make use of following loan guarantees and exceptional measures related to credit insurance:
	Loan guarantees through the (ISIF): loan guarantees are provided by the Industrial Structure Improvement Fund to aid in borrowing necessary funds, including operation funds.
	Exceptional measures provided by Small Business Credit Insurance: Exceptional measures are provided by Small Business Credit Insurance to small and medium-sized companies.

	(c) Special financing measures for FAZ-related businesses: with regard to the DBJ financing programme for import facilities enhancement and the low-interest loans provided by the Japan Finance Corporation for Small Business to facilitate import sales, import-related businesses within the FAZ areas are able to receive loans with special conditions:
	DBJ (Financing Programme for Import Facilities Enhancement). Companies are eligible for this programme regardless of the share of imported goods among their handling. Also, manufacturers and others are able to receive loans not only when they invest in Japan for the first time, but even for second and subsequent investments.
	Japan Finance Corporation for Small Business (Loans to Facilitate Import Sales). Wholesalers or retailers selling imported goods through their own offices in the FAZ facilities or contacts with businesses in the FAZ facilities are able to receive up to ¥400 million.
IV.	**Measures for small and medium-sized enterprises**
	Training for administrative managers of foreign-affiliated firms: Institute of the Japan Small Business Corporation offers training programmes on personnel management and business practices in Japan, etc. for administrative managers etc; of small and medium-sized foreign-affiliated firms. The participants are subsidized on two thirds of the training fee.
V.	**Venture support measures**
	(a) Loan guarantees for loans using collateral of intellectual property rights for venture enterprises: the ISIF provides loan guarantees for up to 80% (usually 70%) of business funds, and does not require a guarantee backer of a capitalized enterprise if the collateral of the loan is intellectual property rights.
	(b) Investment for venture enterprises: in addition to a company that has been operating or has submitted an application for a patent less than five years earlier (currently three years), a company that establishes know-how in five years is able to take investments from the New Business Investment Company Limited.
	(c) Introducing a stock option system: the Government of Japan expands the term of exercise for the company's executives or employees to accept new stock shares of the company at lower price than others, based on the resolution of a general meeting of stockholders, from six months to within ten years.

Source: Information provided by the Japanese authorities.

P. 73, para. 50

In order to cope with a decrease in the number of Japanese-flag carriers, the Government provides support for Japanese-flag carriers (the so-called International Ship Regime); this support has been unchanged since Japan's previous Review. The authorities maintain that the Regime has no distortionary effects on trade in **maritime transport services**; it aims to increase the competitiveness of Japanese vessels against those of other countries that provide preferential tax treatment for their registered ships.[39]

Sierra Leone - WT/TPR/S/143

P. 26, para. 45

The Investment Promotion Act implements tax incentives as provided for in the income tax regulations (Table II.1). Past tax benefits will remain in place until the tax code in force is repealed. A revised list of fiscal incentives is to be annexed to the 2004 Investment Promotion Act and enacted by Parliament, but this list has not yet been passed by Parliament. Sierra Leone has provided more favourable payroll tax rates for investors employing ECOWAS citizens, and fiscal incentives in agri-processing activities with a requirement for 60% local input or value added (Chapter III(3)(v)). The proposed list to be annexed to the Investment Promotion Act is to divide the territory into two zones (Zone A – Western Sierra Leone; and Zone B all other regions in Sierra Leone). Capital allowance for the reconstruction of the country, and incentives such as duty and tax exemptions may be increased. Incentives in the **tourism** sector may be increased, and an allowance may be created for special research and training expenses. According to the authorities, estimates on forgone fiscal revenue from the granting of incentives is estimated at between Le 10 billion and Le 12 billion for the first two years of the implementation of the Investment Promotion Act.

[39] These measures include tax breaks in respect of shipregistration tax and local property tax. As to ships that are registered as 'international ships', ship-registration tax is 0.2% of the price of the ship and the tax base for local property tax is one-fifteenth of the price of the ship.

P. 27-28, table II.1

Table II.1
Investment incentives, September 2004

Measure/Coverage	Current situation (Non-Citizen (Trade and Business) Act of 1969, and other Acts)	Indicative list to be annexed to the Investment Promotion Act, 2004
Corporate tax	General rate 35%	Zone A: 30%; Zone B: 25%[a]
Agriculture (tree and food crops) and forestry (cultivation)	Rice: exempt first 10 years	Exempt first 10 years
Agri-processing (60% local input)	35%	Exempt first 10 years
Agri-processing (below 60% input)	35%	First 10 years: Zone A – 20%; Zone B – 10%
Forestry (processing)	35%	Zone A – 30%; Zone B – 20%
Tourism	Exempt 1 to 5 years	Zone A – 25%; Zone B – 20%
Losses write-off	Allowable, subject to maximum annual write-off of 50% of succeeding years profit	Allowable, subject to maximum annual write-off of 50% of succeeding years profit
Import duty		
Raw materials	5% (malaria and HIV drugs exempt)	Duty free
Plant and machinery	5%	Duty free
Generator for operations	5%	Duty free
Tourism	Duty-free concession for new construction, extension or renovation of an existing one, applicable to building materials, machinery or equipment that is not easily available in Sierra Leone for the period of construction or rehabilitation	(i) Duty-free concession for new approved construction, verified extension, restoration of tourist facilities and amenities, including renovation due to force major, determined by the Tourist Board. This is applicable to imported materials for construction, furnishings, and equipment for first three years or to date of completion if less than three years. (ii) 50% duty rate reduction for upgrading during first 12 months of work or to date of completion if less than 12 months
Intermediate products	20%	20%
Operational vehicles	5% (between 0 and 4 years) 20% (over 4 and up to 10 years) 30% (above 10 years)	5% (between 0 and 4 years) 20% (over 4 and up to 10 years) 30% (above 10 years)
Sales tax		
Plant and machinery	Tax free	Tax free
Other: at entry (advance tax)	17.5%	10%
at final assessment	17.5% (production over Le 100 million)	17.5% (all production)
vehicles	17.5%	17.5%
Payroll tax		
General	Non-ECOWAS citizens: Le 1,000,000 (US$370) per year; and ECOWAS citizens: Le 100,000 (US$37) per year	Non-ECOWAS citizens: Le 1,000,000 (US$370) per year; and ECOWAS citizens: Le 100,000 (US$37) per year Exempt if enterprise exports US$1 million or more during the year
Tourism	Exempt for non-available skills for first three years of employment for up to six persons	Exempt for non-available skills for first two years for up to three personnel
Investment allowance	5% in first year of new purchase	7.5% in first year of new purchase
Incentives for exports		
Export/excise tax	Exempt for 75% exported output	Exempt for 75% exported output
Export Processing Zones	n.a.	Special incentives to be enacted
Duty drawback	Allowed on raw materials for goods exported	Allowed on raw materials for goods exported
Research and training expenses (capital investment only)	n.a.	Initial allowance: 40%; annual: 20%

Measure/Coverage	Current situation (Non-Citizen (Trade and Business) Act of 1969, and other Acts)	Indicative list to be annexed to the Investment Promotion Act, 2004
Local employment allowance (number of employees)	n.a.	2.5% of business income exempt from tax (under 51 employees) 5% of business income exempt from tax (between 51 and 100 employees) 7.5% of business income exempt from tax (over 100 employees)

n.a. Not applicable

a Zone A: Western Sierra Leone; and Zone B: all regions in Sierra Leone outside Zone A.

Source: The Non-Citizen (Trade and Business) Act of 1969; and Law No. 9 the Investment Promotion Act, 5 August 2004.

Qatar - WT/TPR/S/144

P. 19, para. 35

Under the 2000 Investment Law and the 2004 Law and Instructions of Income Tax, Qatar may grant a tax holiday of five to ten years for new investment in agriculture, industry, trade, petroleum, mining, **tourism**, land reclamation, **transport**, or any socially and economically beneficial activity/project needed by Qatar.[40] Foreign companies may be granted tax exemptions on a case-by-case basis through an Emiri Decree, an analysis by the Tax Exemption Committee, and after recommendation by the Ministry of Finance.[41] The Government provides other investment incentives (Chapter III(4)(i)).

Mongolia - WT/TPR/S/145

P. 38, para. 61

FDI in certain sectors and activities receive further preferential tax treatment. For example, ten years of tax exemption and 50% tax relief for the subsequent five years are granted for FDI in power and thermal plants and their transmission networks, highways, **railways**, **airways** and **engineering** construction, basic **telecommunications** network, electricity source and network, and technology renovation; and five years of tax exemption and 50% tax relief in the subsequent five years are granted for FDI in oil and coal, metallurgy, chemical production, machinery, and electronics.

Paraguay - WT/TPR/S/146

P. 73, para. 184

Law No. 60/90, regulated by Decrees No. 15.657 of 30 November 1992, No. 7.692 of 23 February 2000, No. 22.031 of 14 August 2003 and by Law No. 2.421 of 25 June 2004, lays down

[40] The exemption period starts from the date of commencing the project. Qatar's Minister of Finance can recommend tax exemptions for five years, while a tax exemption for more than five years but not exceeding ten years needs the approval of the Council of Ministers.

[41] The Tax Exemption Committee is composed of two representatives each from the Ministry of Finance and the Ministry of Economy and Commerce, and one representative each from the Ministry of Energy and Industry, and Qatar Chamber of Commerce and Industry.

the conditions for the granting of tax exemptions to both Paraguayan and foreign investors. Exemptions under Law No. 60/90 apply, inter alia, to investments in: **financing**, capital goods, marks, designs and technology transfer in general, specialized technical assistance, mining, the **hotel** trade, leasing of capital goods, provision of **air cargo and passenger transport services**, **river transport**, **land freight transport** in general, public passenger transport, **health**, radio, **television**, press, fixed rural and urban **telephony**, mobile telephony, scientific research, silos, **warehousing** and **data transmission services**.

Nigeria - WT/TPR/S/147

P. 17-18, table II.2

Table II.2
Investment incentives

Sector	Description
All sectors	Tax-related: (i) 30% companies income tax in all sectors, except petroleum; (ii) five-year tax holiday on companies investing in pioneer industries; (iii) tax relief on up to 140% of expenses on research and development; (iv) 2% tax concessions for a period of five years for industrial establishments that set up in-plant training; (iv) 20% of the costs of providing infrastructure that should normally have been borne by government (e.g. electricity) are tax deductible; (iv) tax holidays of up to seven years on investments in economically disadvantaged areas; (v) tax concessions on companies with high labour capital ratio; (vi) 10% tax concession for five-years on local value-added; (vii) tax credit of 20% for five years to industries that attain a certain minimum level of local raw material sourcing and utilization; capital allowances range from 5% to 30% depending on expenditure. Others (i) unconditional transferability of funds through an authorized dealer in freely convertible currency; (ii) no enterprise shall be nationalized or expropriated by any government of the federation, unless the acquisition is in the national interest or for public purpose, in which case there are legal procedures to follow; (iii) any company incorporated in Nigeria is allowed to have access to land rights for the purpose of its activity in any state in the country.
Industrial sector	(i) companies investing in economically disadvantaged areas, benefit from a 100% tax holiday for seven years and an additional 5% depreciation over and above the initial capital depreciation; (ii) for a five-year period companies also benefit from tax concessions of up to 30% if involved in local raw material development, 10% if involved in local value added, 15% if involved in labour-intensive processing, 10 % if involved in export-oriented activities, 2% if involved in-plant training; (iii) companies with turnover of less than N1 million are taxed at a low rate of 20% for the first five years of operation if they are into manufacturing; (iv) up to 120% of expenses on research and development are tax deductible; (v) up to 20% of the cost of providing infrastructure such as roads, water, electricity, where they do not exist is tax deductible; (vi) all excise duties have been abolished (since 1 January 1999); (vii) 25% import duty rebate; (viii) tax allowance in respect of qualifying capital expenditure incurred within five years from the date of the approval of the project; (ix) dividends of companies in the manufacturing sector with turnover of less than ₦ 100 million are tax-free for the first five years of their operation.
Energy	All investments in this area are considered to be pioneer, hence benefit from a five to seven-year tax holiday.
Oil and gas	(i) tax rate under the Petroleum Profit Tax (PPT) Act to be at the same rate as company tax, currently at 30%; (ii) capital allowance at the rate of 20% per annum in the first four years, 19% in the fifth year and the remaining 1% in the books; (iii) investment tax credit at the current rate of 5%; (iv) tax holiday under pioneer status; (v) capital allowances; (vi) repatriation of profits; (vi) no foreign exchange regulation; (vii) dividend derived from manufacturing companies in petro-chemical and liquefied natural gas subsector are exempt from tax.
Agriculture	(i) companies in the agri-allied business do not have their capital allowance restricted to 60% but graduated in full – 100%; (ii) agri-allied plant and equipment enjoy enhanced capital allowances of up to 50%.
Solid minerals	(i) three to five-year tax holiday; (ii) possible capitalization of expenditure on exploration and surveys; (iii) provision of 100% foreign ownership of mining companies or concerns; (iv) capital allowance.
Tourism	(i) tax holidays; (ii) longer moratorium and import duty exemption on tourism-related equipment; (ii) tax exemption on 25% of incomes derived from tourists by hotels.
Telecommunications	Rebate and tax relief.
Exporting	(i) company profits in respect of goods exported are exempt from tax under certain conditions; (ii) profits of companies whose supplies are exclusively input to the manufacturing of products for export are excluded from tax; (iii) export processing zone companies are allowed full tax holidays for three consecutive years; (v) investment tax credits; (vi) retention of export proceeds in a foreign currency in a domiciliary account with a Nigerian bank; (vi) export development fund to cover expenses on export promotion activities; (vii) export adjustment fund to compensate exporters for high cost of local production, arising mainly from infrastructural deficiencies; (viii) unrestricted remittance of profits and dividends; and (ix) zero-rated VAT.

Source: Information provided by Nigerian authorities.

Ecuador - WT/TPR/S/148/Rev.1

P. 63, para. 174

Incentives offered under the Law on **Tourism**[42] to tourism projects approved by the Ministry of Tourism include: exemption from the payment of taxes resulting from the incorporation of a company and other financial transactions, and from taxes relating to the transfer of property ownership to the company; duty-free importation of aircraft, boats and vehicles used for transporting tourists, for a specified period, provided there is no domestic production thereof; and the possibility to deduct from income tax, within certain limits, external payments made to promote inbound tourism. These benefits are granted both to new tourism projects and to projects for the expansion of existing facilities. New projects are granted benefits for a period of 10 years. The projects must be located in economically underdeveloped rural areas and constitute touristic activities "which warrant accelerated promotion".[43]

The Philippines - WT/TPR/S/149/Rev.1

P. 57-58, para. 101, 102 and 103

Incentives encourage investment in specific activities, regions and non-traditional exports. They are still regulated by the Omnibus Investment Code (OIC), and while available to nationals and foreigners there is some discrimination against the latter (see below). Some are subject to export performance requirements. In general, under the OIC, only enterprises registered with the BOI and producing non-traditional exports or engaged in a sector listed in the Investment Priorities Plan (IPP) are entitled to tax exemptions and concessions, and to some non-tax incentives. However, even if the activity is not listed in the IPP, an enterprise may be eligible to receive incentives if it exports at least 70% of production, or 50% for a Filipino-owned enterprise (at least 60% domestic equity).[44] In 2004, the IPP list included manufacturing of non-traditional exports[45], and activities that supported exporters, and some 15 specific sectors.[46]

The tax incentives available under OIC to BOI-registered firms include, *inter alia*: 4-6 year corporate tax holidays depending upon the enterprise type and project location[47]; tax credit for taxes and duties paid on raw materials, supplies and semi-manufactured products used in the manufacture of exports; and tax credits for breeding stocks and genetic materials. BOI-registered firms located in less developed areas may be eligible to claim up to a full tax deduction for infrastructure expenditure and labour costs of hired workers.

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[42] Law No. 97, Official Journal/Suppl. 733, 27 December 2002.

[43] Law on Tourism, Article 34.

[44] BOI (2001).

[45] Non-traditional export products exclude copra, copra meat and cake, crude coconut oil, desiccated coconut, inedible molasses, pineapple in syrup, logs, lumber, plywood and veneer, and unprocessed tobacco.

[46] These covered agriculture and fisheries; **air, land and inter-island transport**; drugs and medicines; ecological solid waste management; **energy**; industrial tree plantation; iron and steel; **information and communications technology**; infrastructure (e.g. rural electrification system, telecommunications and power projects), mass housing projects; petrochemicals; printing; refining, storing, marketing and distributing of petroleum products; **tourism**; and R & D activities (BOI, undated b).

[47] Enterprises are classified as "pioneer", "non-pioneer" or "expanding". A pioneer enterprise introduces new technology to the Philippines, engages in agriculture, forestry or mining to pursue national goals, or produces non-conventional fuels or equipment utilizing such energy sources.

Other tax incentives are also available to regional headquarters and regional operating headquarters located in the Philippines and under some 44 special investment incentives laws (Table III.6). [48]

Table III.6
Tax incentives provided under selected special investment incentives laws

Law[a]	Sector	Incentive
Presidential Decree No. 87 and No. 1857	Oil and gas service contractors and developers of geothermal projects	Exemption from import duties on imports of machinery, equipment, spare parts, and all materials in petroleum-related projects Exemption from all taxes except corporate tax
Republic Act No. 7942	Mining operators and developers	Tax incentives under the Omnibus Investment Incentives Code A longer net operating loss carry-over for a period of five years Accelerated depreciation
Republic Act No. 7471	Overseas **shipping** operators	A ten-year income tax holiday and duty exemption on imports of ocean going vessels
Republic Act No. 6957, as amended by No. 7718	Build-Operate-Transfer projects (investment of over PhP1 billion)	Same incentives granted to BOI enterprises under the Omnibus Investment Code
Republic Act No. 8502	Jewellery industry	Duty-free importation on raw materials and equipment used to manufacture jewellery Exemption from excise tax on the sale of jewellery
Republic Act No. 7916 as amended by R. A. No. 8748	**Tourism** development projects	Grant special economic zone status to tourism development zones and to tourism states. The tax incentives provided are similar to those provided to enterprises located in the export processing zones.
Tax Code	Universal incentive to any firm	Net operating loss carry-over for the three consecutive taxable years immediately following the year of the loss Accelerated depreciation deduction for the wear and tear of assets

a This list is not comprehensive; there are some 44 laws providing special investment incentives.

Source: Information provided by the authorities.

P. 102, para. 114

There are about 950 private and public ports. The Philippine Ports Authority (PPA) administers, operates, and develops most major ports; the rest are mainly municipal public ports run by local government units, including fishing ports and wharves. PPA-administered ports currently number 507, of which 114 are state-owned and 393 are private. Private ports handled 51% of total cargo in 2003, comprising mainly oil, petroleum products, and wheat. Independent port authorities run some public ports, such as Cebu and Subic Bay, mainly formed as part of special economic zones. The PPA encourages private sector investment and participation in port management and operation, cargo handling, and port services, subject to requirements of national security, public safety and rules and regulations governing the operation of private ports. Incentives are provided to private operators of PPA-registered **ports**, such as a 50% reduction in port charges for wharfage, berthing, and usage fees. As ports are regarded as public utilities, foreign equity is constitutionally capped at 40%. PPA also regulates certain auxiliary port services, excluding pilot services.

P. 104-106, para. 123 and 127

In order to promote the industry, VAT relief and other tax incentives were extended to shipbuilding and **ship repair** in 2004. In addition, imports of vessels will be restricted progressively after ten years (i.e. 2014) if comparable vessels can be constructed domestically. These restrictions

[48] BOI (2001).

will be based on annual assessments by MARINA of the capacity of registered shipyards to build sufficient vessels below 500 gross tons to meet demand. If found sufficient, domestic ship operators will be discouraged from importing such vessels, and those built in MARINA-registered shipyards will be given priority for entry in the Philippine registry.

The DOT endorsed 30 **tourist** investment projects from January to August 2004 as eligible to receive tax incentives under the BOI's annual IPP. These covered accommodation and tourist transport facilities with aggregate investment of PhP767.8 million. Tourism enterprises located in "tourism enterprise zones" may also receive investment incentives.

Egypt - WT/TPR/S/150/Rev.1

P. 15, para. 19 and 20

The Investment Guarantees and Incentives Law, passed in May 1997, allows investment through joint-ventures, limited liability companies, and partnerships, and governs "inland investments", essentially domestic investment projects, and investment in free zones, which are treated as outside the domestic economy for taxation, customs, and trade purposes. Unlike the Companies Law, which applies to all investment, the Investment Guarantees and Incentives Law applies to investment (domestic or foreign) in certain specified activities or sectors, subject to further amendments by the Cabinet (Table II.3).[49]

Table II.3
Areas eligible for incentives under the Investment Guarantees and Incentives Law

Air transportation and directly related services
Animal, poultry and fish farming
Financial leasing
Hospital and medical centres offering 10% of their service capacity free of charge
Hotels, motels, boarding houses, tourist villages, tourist travel and transportation
Housing projects whose units are to be leased unfurnished for non-administrative purposes
Industry and mining
Infrastructure relating to drinking water, sewage, electricity, roads, and communications services
Oil services in support of exploration and the transport and delivery of natural gas
Overseas maritime transport
Production of computer software and systems
Projects funded by the Social Fund for Development
Reclamation and cultivation of barren and/or desert lands
Transport of goods in refrigerated vans; refrigerators for the preservation of agricultural products, industrial products, and foodstuffs; container depots and grain silos
Underwriting subscriptions to securities
Venture capital

Source: Information provided by the Egyptian authorities.

Investment incentives under the Investment Guarantees and Incentives Law include tax holidays for company profits, personal income tax on dividends, and annual stamp duty on capital. Tax holidays are granted for five years for all investments; up to ten years for companies established in the new industrial zones, new urban communities or remote areas; and up to 20 years from the date of establishment for investments outside the Old Valley. Exemptions from stamp duty, and

[49] Article 1 of Law 8/1997 establishes that the Cabinet of Ministers may add other activities to those already mentioned.

notarization and registration fees are provided for up to three years from registration in the Commercial Register. In addition, all customs duties on capital imports by companies registered under the Law are reduced to 5%.[50] In addition to tax advantages, investors receive, *inter alia*, guarantees against confiscation; immunity from administrative sequestration; assurance of no controls on prices or profits; and the right to import and export inputs and final products without being required to use agents and export licences.

P. 74, para. 102

Various incentives are provided to private investment in the **tourism** subsector (Table IV.16). Investors in the tourism industry, both domestic and foreign, are eligible for the benefits provided by the Investment Guarantees and Incentives Law. Special customs privileges and incentives for land development are also available.

Table IV.16
Investment incentives in the tourism industry, 2005

Scheme	**Exemptions or concessions**
Taxes	All tourist establishments except restaurants are exempt from paying taxes for 5 years in Cairo; 10 years in remote areas; and 20 years in El Wady El Gedeed and Toshka areas, under the Investment Guarantees and Incentives Law (8/1997).
	Rebuilding and expansion activities of tourist-related premises are exempt from taxes on 50% of income.
	Law 93/1996 allows a reduction up to 75% of fees for tourist and passenger ships entering Egyptian ports.
Customs duties	Under Decree 11/1996, all imported equipment, except for restaurants, benefits from a reduced customs duty of 5%.
	Limousines with no more than seven seats that are imported by tourism transportation companies are subject to a unified custom duty of 5%.
	Alcoholic beverages may be imported by hotels at a rate of 300% duty, instead of the usual rates ranging from 1,200% (beer) to 3,000% (spirits).
Land acquisition/development	Law 5/1996 allows ownership or lease of state-owned lands in desert areas.
	Low interest loans are provided to developers for infrastructure services, by the Tourism Development Authority.
	Law 72/1996 allows the expansion of tourist facilities and exemptions for tourist projects.
	The Tourism Development Authority offers land to private developers for a nominal rate of US$1 per square metre in designated tourist areas.

Source: Information provided by the Egyptian authorities.

Trinidad and Tobago - WT/TPR/S/151/Rev.1

P. 55, para. 117

Other mechanisms to encourage exports are still in place. The Finance Act No. 3 of 1994 Section 25(d) makes provision for a deduction of 150% of promotional expenses wholly or exclusively incurred for creating or promoting expansion into foreign markets (non-CARICOM) of exports of **building industry services**, goods and agricultural produce shipped in commercial quantities. The Fiscal Incentives Act (see below) has provisions on incentives to enclave industries.

[50] Article 23 of Law 8/1997.

<u>P. 56, para. 120, 121 and 122</u>

As part of Trinidad of Tobago's policy to promote exports, the Government maintains free-trade zones to attract export-oriented investment in manufacturing, international trading, and service export operations. In the context of this Review, the authorities noted that in their view the free-trade zone regime and the Fiscal Incentives Act do not involve prohibited subsidies and thus, Trinidad and Tobago did not request an extension of the transition period in Article 27.4 of the SCM Agreement.

The administration and operation of free zones is governed by the Trinidad and Tobago Free Zones Act of 1988, as amended in 1995 and 1997. Under the Act, an approved free-zone enterprise may benefit from the following incentives: exemption from customs duty on the import of goods into the free zone; exemption from income tax; exemption from corporation tax; exemption from business levy; exemption from withholding taxes on remittance of profits, dividends and other distributions; and exemption from land and building taxes on land, buildings, improvements to buildings, plant and machinery in the free zone. Free zone enterprises are not subject to import and export licensing requirements. Benefits are granted for an indefinite period. Free zone enterprises must comply with all regulations and laws of Trinidad and Tobago except as specifically varied or exempted by the Free Zones Act; they are therefore subject to the relevant technical regulations and labour laws.

Activities that may be carried out in a free zone are prescribed in the First Schedule of the Free Zones Act. These include: **warehousing and storage**; manufacturing operations; trans-shipment operations; loading and unloading; export and import; service operations including **banking**, **insurance**, and **professional services**; **packaging and shipping**; assembling; processing, refining, purifying and mixing; and merchandising, including international trading of products. Primary petroleum and natural gas projects do not qualify for free-zone approval.[51] There is an investment limit of US$50 million; projects beyond this limit are not eligible for free-zone status, although these activities may be carried out in a free zone. Banking and insurance activities carried out in a free zone are subject to the Financial Institutions Act and Insurance Act, respectively.

<u>P. 109, para. 153 and 154</u>

The Tourism Development Act, 2000 (Act No. 9 of 2000) provides incentives for investment in the tourism sector. The Act repealed the Hotel Development Act, which provided incentives only for hotel activities, and extended investment incentives to a wide range of activities in the **tourism** industry (approved tourism projects). The Act provides incentives for approved tourism projects, including: (a) a tax exemption not exceeding seven years in respect of the gains or profits from the approved tourism project; (b) a tax exemption in respect of the gains or profits derived from the initial sale of a villa or condominium or a site that is part of an integrated resort development which is an approved tourism project. An approved tourism project may also be granted a carry-over of any loss arising out of the operation or renting of an approved tourism project and a tax exemption in respect of interest received on an approved loan used for an approved tourism project during the tax holiday period. Beneficiaries may also apply for a licence to import vehicles required for the implementation of their approved projects at a preferential customs duty rate of 10%. The authorities note that the Act is being amended to extend its benefits as at April 2005.

Customs and excise duty exemptions are also granted, under Part 3 of the Tourism Development Act, on building materials and articles of hotel equipment used in connection with a tourism project; for domestic purchases, companies may benefit from a drawback of customs duties or excise duties for building materials and articles of equipment that were not already duty free (the VAT is still payable). To be eligible for the incentives, any hotel project must have a minimum

[51] TIDCO (2003), Chapter IX Investment Incentives, p. 87.

of ten guestrooms; approval depends on the amount of capital invested, the financial risk assumed, the contribution made or likely to be made to the sustainable development of the tourism industry, and the achievement of national tourism objectives. Tourism projects seeking to access benefits under the Act must be registered with TIDCO/TDC if the project is in Trinidad, or with the Tobago House of Assembly if the project is in Tobago; they are subject to annual inspection.

Tunisia - WT/TPR/S/152/Rev.1

P. 22, para. 36, 39 and 40

For more than 30 years, the Government has been pursuing a policy of encouraging private, especially foreign, investment. In view of the decline in private investment in relation to GDP since 2002 (Table I.2), the promotion of investment remains one of its current priorities. Investment policy is based on a complex system of laws and regulations, whose application depends on whether the investment is in a "resident" ("general regime") or "non-resident" enterprise, is direct or portfolio, relates to "wholly exporting" activities (Chapter III(3)), or involves sectors covered by the Investment Incentives Code (CII).[52] The authorities claim that, in practice, the regime is flexible and based on statements made by the investors themselves and poses no problems of implementation. There are numerous benefits, including tax exemptions, direct subsidies, and exemptions from the foreign exchange legislation, particularly for industrial export activities (Chapter III(3)(iv)). An estimate of the budgetary cost of the measures covered by Article 25.1 of the Agreement on Subsidies and Countervailing Measures indicates a total of 557 million dinars for the year 2000.[53]

Direct investment in most manufacturing industries, as well as in **certain service activities**, is eligible for the CII, which specifies, in a positive list, the sectors eligible and the incentives. The non-eligible manufacturing industries include, for example, oil-refining and investment in the production of pharmaceuticals also produced by the state-owned enterprise SIPHAT. Certain other activities are subject to prior authorization or specifications. These include the manufacture of arms and ammunition and parts thereof; mechanical carpet weaving; brewing, malting and winemaking; flour and meal milling; edible oil refining; the fabrication of bars, sections and reinforcing rods; teasing; and tobacco production. Most service activities covered by the CII, unless wholly exporting, are also subject to the prior authorization of the CSI when the foreign holding exceeds 50 per cent of the company capital.[54]

The CII provides for "common benefits" and "specific benefits". The common benefits consist mainly of tax exemptions (Chapter III(4)(i)), including the deduction of the sums invested from taxable profits up to a limit of 35 per cent of the latter; a reducing-balance depreciation regime; and exemption from customs duties and (in some cases) VAT on plant essential to the investment. The specific benefits are fixed in accordance with horizontal objectives, in particular, export promotion (Chapter III(3)(vi)). The other horizontal objectives include regional and agricultural development and the promotion of technology and small and medium-sized enterprises (Chapter III(4)(i)).

[52] Law No. 93-120 of 27 December 1993 on the Investment Incentives Code, available at: http://www.cnudst.rnrt.tn/wwwisis/jort.03/form.htm. See also the Order of the Minister for Industry and Energy of 26 January 2004 updating the Guide for private investors and promoters in the manufacturing industry and services sectors.

[53] WTO document G/SCM/N/71/TUN, 1 June 2001.

[54] The web site of the Industry Promotion Agency lists the activities subject to authorization. Available at: http://www.tunisianindustry.nat.tn/fr/doc.asp?mcat=12&mrub=95.

P. 56, para. 110

The Investment Incentives Code (CII) contains a long list of manufacturing (including agri-food) and service activities eligible for specific export benefits. For "wholly exporting" enterprises, these benefits consist primarily of the total deduction of export income and profits from the basis of assessment during the first ten years of activity and a 50 per cent deduction after that. Moreover, profits and income reinvested in the initial capital or in an increase in the capital of wholly exporting enterprises qualify for total relief. The relief is also total for profits reinvested within the company itself. Finally, wholly exporting enterprises may import, free of all duties and taxes (customs duties, VAT, consumption tax) the goods they need in order to produce, subject to the non-availability of those goods on the domestic market. They may make some of their sales or provide some of their services in Tunisia (up to 30 per cent of their turnover) subject to the payment of duties and taxes on entry for consumption.

P. 90, para. 100, 101 and 102

Apart from the general incentives provided for in the Investment Code (Chapter III(4)(i)), **tourism** projects in regional development promotion areas qualify for the following benefits: 100 per cent exemption from income or profits tax for the first ten years of activity and 50 per cent during the next ten years, and exemption from the contribution to the fund for the promotion of accommodation for employees during the first five years of activity. If the investment is made in a mining redevelopment area, a subsidy of 25 per cent of the cost of the project (excluding land) is granted to the investor by the Minister for Tourism after consulting the ONTT. In other regional development areas, the subsidy is fixed at 8 per cent. The State will also pay the employer's contribution to the statutory social security regime in respect of wages paid to employees of Tunisian nationality during the first ten years of effective activity for investments made in Saharan areas and for five years for those made in other regional development promotion areas.

The subsidy is released in three tranches for projects costing not more than 1 million dinars: 40 per cent when work on the project begins; 40 per cent on completion of 60 per cent of the investment; and 20 per cent when production starts up. If the cost exceeds 1 million dinars, the subsidy is released in four tranches: 30 per cent when work begins; 30 per cent on completion of 60 per cent of the investment; 20 per cent on completion of 80 per cent of the investment; and 20 per cent at start-up.

The State grants exemption from customs duties and consumption tax, with VAT at 10 per cent instead of 18 per cent, on imports of four-wheel drive vehicles purchased by travel agencies, provided that these vehicles are not manufactured locally. It also grants hotels and travel agencies exemption from customs duties and a reduction in VAT to 10 per cent on imports of all public transport vehicles with less than 30 seats, driver's seat included. The State will also suspend VAT (new project) or reduce it to 10 per cent (project already in operation) for the purchase of buses (large or small) manufactured or assembled locally.[55]

Republic of Guinea - WT/TPR/S/153/Rev.1

P. 18, para. 50 and 51

In order to receive benefits under the Investment Code, enterprises must belong to the priority sectors, but the list is not exhaustive and may be amended (Table II.1). In addition to the common incentives regime, four other preferential regimes are available: the regime for small and medium-

[55] Decree No. 1994-1057 of 9 May 1994.

sized enterprises, the regime for exporting enterprises, the regime for enterprises developing local natural resources and raw materials, enterprises established in economically less developed zones (outside Conakry). It is possible to obtain approval under several regimes provided that the criteria are met in each case and this is quite common.[56] According to the authorities, the main advantage of approval is exemption from VAT on imports of equipment needed during the start-up period or to extend the investment (with the exception of automobiles), an important amendment to the Code made under the 2002 Finance Law.

Table II.1
Investment Code – benefits under preferential regimes

	SME regime	**Exporting enterprises regime**	**Regime for enterprises developing natural resources**	**Enterprises established in less developed zones**
Criteria	Assets of GF 15 to 500 million[a]	Enterprises whose export turnover accounts for over 22% of total turnover	Cost of intermediate consumption of Guinean origin exceeds 50% of total costs	The country is divided into four zones: 1-2-3-4[b]
	At least 5 jobs			Production enterprise in which at least 90% of the personnel work in the zone
				Service enterprise whose actual head office and principal area of activity are in the zone
Priority sectors	Agriculture, industrial processing, stockbreeding and fishing, fertilizer production, **health** and **education** enterprises, **tourism** facilities and industries, social housing promotion, investment **banks** or any other loan establishment outside zone 1 (Conakry)			
Guarantees	Equal treatment for natural and legal persons, as well as for foreigners and Guinean nationals			
	Freedom to transfer capital			
	Freedom of establishment, management, movement			
	Guinea has signed the ACP-EU, ICSID, MIGA and OHADA Agreements			
Common benefits	Exemption from duties and taxes (including VAT) on imports of goods, equipment and tools needed for the investment during the start-up period or for its extension (with the exception of automobiles)			
	A single import duty of 6 per cent on raw materials used directly in product manufacture			
	Exemption from the taxable base for the *Impôt sur les Bénéfices Industriels et Commerciaux* – IBIC (Tax on Industrial and Commercial Profits) or the IS for 3 to 8 years depending on the zone in which the enterprise is situated and a reduction of 50% during the first tax year and 25% during the second following the period of exemption			
	Exemption from the apprenticeship tax and the flat rate on salaries for 5 years and 50% reduction of this tax during the following 3 years			

[56] According to the OPIP, 74 per cent of the projects approved from 1998 to 2000 qualified for two special regimes.

	SME regime	Exporting enterprises regime	Regime for enterprises developing natural resources	Enterprises established in less developed zones
Tax on industrial and commercial profits (IBIC)	20% (instead of 35%) for 5 years	Exemption for 5 years according to the export turnover/total turnover ratio, but a maximum of 60% of profits	Reduction in the taxable base of the IBIC equivalent to 20% of the value of intermediate consumption of Guinean origin for the first 5 years	Exemption from the IBIC for 3 to 8 years depending on the zone in which the enterprise is situated
Other benefits	Exemption from the flat-rate minimum tax for 3 years			Reduction of 20 to 60% of VAT for 5 years depending on the zone in which the enterprise is situated

a The BCRG publishes the reference rate for the Guinean franc.

b Zone 1: the region of Conakry and the prefectures of Coyah, Dubréka, Forécariah and Boké; Zone 2: the prefectures of Boffa, Fria, Kindia, Mamou, Dalaba, Pita, Labé, Dabola and Faranah; Zone 3: the prefectures of Kissidougou, Guéckédou, Kankan, Macenta, N'Zérékoré, Kouroussa and Télimilé; Zone 4: the prefectures of Koundara, Gaoual, Mali, Lélouna, Tougué, Koubia, Lola, Sguri, Dinguiraye, Mandiana, Kérouané, Beyla and Yomou.

Source: Guinean authorities.

According to data for 1999-2003 provided by the Guinean authorities, 124 projects have been approved under the Investment Code, representing a total of GF 202 billion and the creation of 4,467 jobs. In the majority of cases, the promoters of approved projects are Guinean nationals.

Bolivia - WT/TPR/S/154/Rev.1

<u>P. 69, para. 177 and 180</u>

As far as production incentives are concerned, measures focus on particular sectors and there are also some general government policy provisions. Law No. 2.064 of 3 April 2000 (Economic Revival Law) provides tax incentives for the **financial** sector, the capital market, **tourism**, investment in agriculture, mining and industry, consumption and municipalities.

Law No. 2.064 states that property used exclusively for hotels and part of the fixed assets of a hotel company is subject to the IPBI on the basis of 50 per cent of the taxable value until 2010.[57] Law No. 2.074 of 14 April 2000 defines as export services the sale of tourism services outside Bolivia and accommodation services for foreigners in Bolivia. Consequently, these tourism services pay zero VAT.[58]

<u>P. 118, para. 184</u>

The rates applied by the railways must be approved by the ST.[59] The trade policy reviews of Bolivia in 1993 and 1999 mentioned that Bolivia applies rates that discriminate between imports and exports carried by rail, with the former being more than 30 per cent higher than the latter in 1999. The authorities indicate that there is no government policy granting preferences for exports in the cost of rail transport. Nevertheless, there is information that in practice such rates may be lower. **Rail** companies have the right to compensation from the State if their earnings do not allow them to cover operating costs and this consists solely of fiscal credit notes made out to the enterprise.[60] An

[57] *Ibid.*
[58] Supreme Decree No. 26.077 of 19 February 2001, Article 11.
[59] Idem, Article 17.
[60] Idem, Articles 22 and 23.

agreement between Ferroviaria Andina and the ST specifies that the former receives financial compensation for the costs involved in rehabilitating the Oruro-Cochabamba line.[61] The authorities explain that this compensation was the only one granted and that in practice compensation is not given. In addition, all rail companies must pay a regulation tax to the ST, which may not exceed 0.5 per cent of their gross earnings, in order to cover the ST's operating costs. The authorities point out that companies also pay a service tax equivalent to 2.2 per cent of their earnings.

P. 122, para. 203

Law No. 2.074 provides two fiscal incentives for the sector (see Chapter III(4)). For the purpose of paying the bound tariff, equipment to be used in **hotels** is defined as capital goods (see Chapter III(2)).[62]

Malaysia - WT/TPR/S/156/Rev.1

P. 59, para. 91 and 92

As noted in Malaysia's previous Review, the tax system is an important instrument of Malaysia's economic development strategy. A wide range of investment incentives continue to be delivered through the tax system to promote resource-based industries; high-tech industries; new and emerging technologies; strategic industries; skills and human resource development; manufacturing-related industries like R&D, integrated **logistics**; regional establishments; and **IT industries**.

Tax incentives are provided for in a number of laws, including the Promotion of Investments Act, 1986; Income Tax Act, 1967; Customs Act, 1967; Sales Tax Act, 1972; Excise Act, 1976; and Free Zones Act, 1990. These Acts cover investments in manufacturing, agriculture, **tourism** and approved services sectors, as well as R&D, training, and environmental protection activities. Direct tax incentives grant partial or total relief from income tax for a specified period while indirect tax incentives come in the form of exemptions from import duty, sales tax, and excise duty (Tables III.9 and III.10 summarize the direct and indirect tax incentives by sector and activity and recent changes that have occurred in the review period).

Table III.9
Direct and indirect tax incentives in Malaysia by sector and activity

Incentive	Manufacturing	Agriculture	Approved services projects	Tourism	R&D	Training activity	Environmental protection activity
1. Pioneer Status	X	X		X	X		X[o]
2. Investment Tax Allowance	X	X	X	X	X	X	X[o]
3. Industrial Adjustment Allowance	X						
4. Infrastructure Allowance	X	X	X	X			
5. Double deduction on expenses	X[a]	X[c]	X[e]	X[g]	X[j]	X[l]	
6. Single deduction on expenses	X[b]	X[d]	X[f]	X[h]		X[m]	
7. Tax exemption on value of increased exports	X	X					
8. Accelerated Capital Allowance	X	X			X		X[p]
9. Reinvestment Allowance	X	X					X[q]

[61] ST, information on line. Available at: http://www.suptrans.gov.bo.
[62] Law No. 2.074, Article 25.

Incentive	Manufacturing	Agriculture	Approved services projects	Tourism	R&D	Training activity	Environmental protection activity
10. Industrial Building Allowance	X	X	X	X		X	
11. Deduction for: acquiring property rights; acquiring a foreign-owned company; developing websites	X						
12. Import duty and sales tax exemption on raw materials or components	X	X			X[k]	X[n]	X[r]
13. Import duty and sales tax exemption on machinery or equipment	X	X	X	X			
14. Duty drawback	X	X				X	
15. Deduction for capital expenditure on approved agricultural projects		X					
16. Additional incentives for food production and deep sea fishing		X					
17. Accelerated Agriculture Allowance on planting of rubber wood trees		X					
18. Income tax exemption			X	X[i]			

a For promotion of exports; R&D; training; freight charges; insurance premium; overseas promotion; and promotion of local brand names.
b For pre-operating expenses on approved investment overseas; pre-operating training expenses; contribution in cash to technical or vocational training institutes; donation to approved organization for the promotion and conservation of environment; gifts under Section 44 (6A) and 34 (6); providing practical training to non-employees; managing and operating RosettaNet Malaysia; promotion of export; and drafting corporate knowledge-based masterplan.
c For promotion of exports; R&D; and insurance premium.
d For pre-operating expenses on approved investment overseas; donation to approved organization for the promotion and conservation of environment; and gifts under Section 44 (6A) and 34 (6).
e For promotion of exports of services; R&D; and training.
f For pre-operating expenses on approved investment overseas; and pre-operating training expenses.
g For promotion of exports; and training.
h For pre-operating expenses on approved investment overseas; and pre-operating training expenses.
i For tour-operators; organizer of international conference or trade exhibition; cars and motorcycle racing; repair and maintenance of luxury boat and yacht in Langkawi; and chartering services of luxury yacht.
j For non-capital expenditure incurred on R&D; and expenses Payment for the use of services.
k Import duty and sales tax exemption on materials, samples and equipment.
l Double deduction on expenses for training.
m Single deduction on expenses for: pre-operating training expenses; contribution in cash to technical or vocational training institutes; and providing practical training to non-employees.
n Import duty and sales tax exemption on materials, samples and equipment.
o Pioneer Status or Investment Tax Allowance for carrying out promoted activity such as: forest plantation; recycling of products; storage, treatment and disposal of dangerous toxic and hazardous waste; energy conservation; and utilizing biomass as a new source of energy.
p Accelerated Capital Allowance for environmental protection equipment.
q Reinvestment Allowance for modernizing chicken and duck rearing system.
r Import duty and sales tax exemption on machinery and equipment; and on catalytic converters.

Source: Ministry of Finance.

Table III.10
Main direct tax incentives for investment and recent changes

Type of incentive	Description of incentive
Pioneer status (PS)	Different degrees of exemption depending on the types of promoted products or activities; full exemption of income tax (100% of the statutory income for five years) for companies producing high-technology products or associated activities; income tax exemption on 85% of statutory income for five years for companies producing products or conducting activities in areas currently being promoted. 2004: PS with tax exemption of 100% (previously 85%) on statutory income for five years. 2003: A PS company intending to reinvestment before expiry of its PS will be eligible for RA on condition that the pioneer certificate is surrendered. Companies investing in knowledge intensive activities are granted "Strategic knowledge–based status", i.e. eligibility for PS with tax exemption of 100% of statutory income for five years.

Type of incentive	Description of incentive
Investment tax allowance (ITA)	Alternative to PS, designed for projects with large capital investment and long gestation periods involves a tax credit that can be offset against taxes paid on 70% of statutory income; any unutilized part of the allowance can be carried forward to subsequent years until the whole amount is used up. The ITA is usually 60% of qualifying capital expenditure incurred within a five-year period. 2004: ITA of 100% (previously 80%) on qualifying capital expenditure incurred for five years, to be utilized against 100% (previously 85%) of statutory income. 2003: Companies which invest in knowledge intensive activities granted: "Strategic knowledge–based Status" whereby the company is eligible for ITA of 60% on the qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 100% of the statutory income in year of assessment.
Reinvestment allowance (RA)	Like the ITA, this is a tax credit amounting to 60% of qualifying capital expenditure that can be offset against taxes paid on 70% (100% in designated regions) of statutory income. Granted to manufacturing companies that have been operating for at least 1 year and incur qualifying capital expenditure for the expansion, upgrading, modernization or automation of production capacity and diversification into related products. 2002: To encourage companies to reinvest. RA incentives extended from 5 to 15 consecutive years commencing from the year the first reinvestment is made.
Industrial adjustment allowance (IAA)	Available to companies in selected manufacturing sectors, namely wood-based textiles, machinery and engineering, stamping, molding, tools and dies, and the machinery sub-sector. Approved companies granted an allowance of 60% to 100% based on the industrial activities undertaken. The allowance can be used to offset up to 100% of adjusted income in the year of assessment.
Infrastructure allowance (IA)	Available to any resident company in Malaysia engaged in manufacturing, agriculture, hospitality, tourism or other industrial/commercial activity in Sabah, Sarawak and the designated eastern corridor of peninsular Malaysia. Companies are granted an allowance of 100% of capital expenditure or infrastructure. The allowance can be utilized to offset up to 85% of statutory income in the year of assessment.
Export incentives:	
Double deductions	Allowed for the following expenses related to exports: expenses related to the promotion of exports, freight charges for rattan and wood products (only for manufacturers in Sabah and Sarawak), export credit insurance premiums, and the promotion of Malaysian brand names.
Exemption for the value of increased exports	Companies' statutory income equivalent to 10% and 15% of the value of increased exports is exempt from tax provided the goods exported attain at least 30% and 50% value-added, respectively.
Industrial building allowance	An allowance of 10% of qualifying expenditure is granted in respect of buildings used as warehouses for storing goods for export and re-export.
Incentive for operational headquarters (OHQs)	Companies granted OHQ status are subject to a concessionary tax rate of 10% on income from qualifying services for a period of 5 years (which may be extended for another five years). 2004: Qualifying services provided by an OHQ to its related companies in Malaysia given tax exemption provided such income does not exceed 20% of the OHQ income from qualifying services. 2003: Incentives for OHQs enhanced; OHQs exempted from income tax for ten years and the dividends paid from the exempt income is exempted in the hands of shareholders.
Exemption for shipping operations	**Shipping** company income derived or deemed to be derived from the operations of Malaysian ships is exempt from tax.

Source: MIDA, Malaysian authorities.

Israel - WT/TPR/S/157/Rev.1

P. 83, para. 104

The new Shipping and Ports Authority of the Israeli Ministry of Transport is responsible for implementing national policy on **merchant shipping and sea-port services**. The Shipping and Ports Authority is also in charge of ratifying and incorporating international maritime conventions into domestic laws. The main legislation is the 1971 Ports Ordinance (New Text), the Shipping Law (Vessels) of 1960, the Shipping Law (Seaman) of 1973, and the Shipping Law (Limit of Liabilities for Vessels) of 1965. The first phase of the reform programme, implemented between 1996 and 1999, reduced the number of mandatory Israeli crew from 22 to 10 and was supported with a total subsidy of US$25 million. The second phase, implemented between 1999 and 2003, reduced the mandatory Israeli crew to between four and eight, including the captain. It was supported by a total State subsidy of some US$25 million.

P. 84, para. 108

In 2004, the Government started granting annual financial aid to Israeli **flag ships** of up to NIS 20 million for employing Israeli nationals on board, and up to NIS 8 million to energy ships (tankers, coal carriers, etc.). This policy is to be implemented until 2008. Israel imposes no limitations on foreign direct investment in maritime transport. To fly the Israeli flag, a vessel is required to be at least 50% owned by an Israeli entity. However, exemptions are legally allowed. Israel has no restrictions on maritime cabotage; however, the authorities are considering cabotage measures based on the principle of reciprocity with third countries. Conference agreements operative in Israel require an exemption from antitrust law (the Restrictive Business Practices Law of 1988), which may be withdrawn if there is cartel-like usage.

P. 87, para. 127

The Ministry of Tourism operates as a commercial entity and develops the **tourism** infrastructure with the help of regional and national development companies. It also assists in establishing tourism business initiatives (e.g. tourist attractions, hotels, accommodation units in rural tourism) throughout the country. This is made possible by government grants under the Encouragement of Capital Investments Law (Chapter III(4)(i)). The Ministry of Tourism is also responsible for the marketing strategy of the tourist industry. Accordingly, its Marketing Administration, via the Government Tourism Offices abroad, performs numerous marketing operations in cooperation with local tourism establishments. Foreign tourists are exempt from the VAT.

Angola - WT/TPR/S/158/Rev.1

P. 74, para. 96

The basic law governing electric power is Law 14-A/96 of 31 May 1996. The law provides for a mixed public-private structure of electricity production and distribution. The fundamental responsibility for electric power production and distribution is in the hands of the Rede Nacional de Transporte de Energia Eléctrica (RNT).[63] The State may grant concessions for public production, transportation and **distribution of electricity** to public or private operators, and each installation must also be licensed. Electricity tariffs are to be set by the RNT with the joint objective of assuring "the lowest possible price to the consumer compatible with quality of service provided" and "a reasonable level of productivity".[64] If the authorities decide to subsidize electricity supply at an unprofitable level of price, operators are to be compensated.

Djibouti - WT/TPR/S/159/Rev.1

P. 18, para. 40

The law provides for two separate regimes depending on the amount of the investment project (Table II.1). Regime A gives tax benefits in the form of exemptions or abatements for 12 categories of economic, industrial or commercial activity involving minimum investment of DF 5 million and creating a minimum of 15 permanent jobs within a period of 18 months. Regime B concerns enterprises of special economic or social interest with minimum investment of DF 50 million and creating a minimum of 30 permanent jobs within a period of 18 months. Between 2000 and 2003,

[63] Law 14-A/96, Article 9.
[64] Law 14-A/96, Article 41.

there were 26 approvals under Regime B and five under Regime A for investment of US$173.2 million and US$934.3 thousand, respectively, divided among the following sectors: **transport** (68.7 per cent), industry (29.1 per cent) and **tourism** (1 per cent). In 2004, there were four approvals under Regime B for a total investment of US$12.9 million and five under Regime A for a total investment of US$841.5 thousand.

Table II.1
Criteria and benefits under the Investment Code, 2005

Regime	Activity	Benefits
A	(i) Exploitation, preparation or processing of products of plant or animal origin, irrespective of their source;	
	(ii) Offshore fishing, and the preparation, freezing, processing or storage of fish products;	
	(iii) Mining, treatment or processing of mining or metal products, irrespective of whether they are mined in Djibouti or not;	
	(iv) Prospection, exploitation, storage of any source of energy, and refining of hydrocarbons;	Exemption from the business licence contribution during the year in which the facilities start up or the activity is launched and for the following five years, but payment of the business licence fee, except on imports required for the investment that are exempt.
	(v) Creation, operation of establishments responsible for developing **tourism** and handicrafts;	
	(vi) Creation, exploitation of electricity, electronics, chemicals and ship industries;	Exemption from the internal consumption tax (TIC) and import taxes and surcharges on materials and equipment needed to carry out the investment programme and appearing on the quantitative and qualitative list attached to the approval decree, with the exception of petroleum products, spare parts and passenger vehicles. Raw materials, with the exception of petroleum products, imported and actually used during the first five years of manufacturing, are exempt from the TIC.
	(vii) **Land, maritime or air transport**;	
	(viii) Port and airport activities;	
	(ix) Building, repair and maintenance of maritime transport or fisheries vessels;	
	(x) Manufacture, packaging on the spot of consumer products or goods;	
	(xi) **Banking** or loan activities likely to promote new investment, as well as warrantage activities (credit, warehousing);	Materials and equipment exempted may not be transferred, sold, loaned or utilized for purposes other than those covered by the approval decree for a period of 10 years.
	(xii) Consultancy, **engineering activities, computer data processing, database computer servers**.	
B	(i) Construction of buildings exclusively for industrial, commercial or tourism use;	Exemption from the business licence contribution during the year in which the facilities start up or the activity is launched and for the following 10 years, but payment of the business licence fee, except on imports required for the investment that are exempt.
	(ii) Construction of social housing;	
	(iii) Construction, creation and **operation of teaching and training facilities**.	Exemption from the internal consumption tax (TIC) and import taxes and surcharges on materials and equipment needed to carry out the investment programme and appearing on the quantitative and qualitative list attached to the approval decree, with the exception of petroleum products, spare parts and passenger vehicles. Raw materials, with the exception of petroleum products, imported and actually used during the first 10 years of manufacturing, are exempt from the TIC.
		Exemption from land tax on buildings (for building construction) for a period of 10 years as of the year following the completion of the work.
		Exemption from industrial and commercial profits and tax on the profits of legal persons within the limit of a maximum of 10 years as of the start-up date.
		Exemption from the graduated duty on registration of acts attesting to the establishment of companies with capital investment of DF 30 million or more. The same exemption may apply to capital increases of DF 10 million or more within at least five years after approval or after a previous increase exempted for the same reason. Possibility of partial exemption from duties on taking out or terminating mortgages.
		Registration and land registry duties may be halved when they apply to the purchase of green-field sites or land with buildings intended for demolition within a period of three months in order to carry out the investment approved.

Regime	Activity	Benefits
		Authorization for temporary occupation and provisional concessions in the private domain related to the investment may be given at reduced cost. Possibility of exemption from the building permit tax. Materials and equipment exempted may not be transferred, sold, loaned, or utilized for purposes other than those covered by the approval decree for a period of 10 years.

Source: Law No. 58/AN/94/3[ème]L of 18 October 1994 establishing the Investment Code and Article 28.15.31 of Law No. 108/AN/00/4[ème]L of 29 October 2000 on reforming the General Tax Code.

P. 64, para. 72

Poste de Djibouti (Djibouti Post) (PD) is a public limited company that came into being following the separation, in 1999, of the activities previously carried out by the OPT. Its initial capital was set at DF 1 billion, entirely held by the State. The Ministry of Communications and Culture, responsible for **postal** and telecommunications services, is the supervisory authority. As an exceptional measure, the State will take over the PD's total debt of DF 107,225,007, representing payments arrears for 1999 to 2002 owed to suppliers, service providers, the authorities and foreign partners.[65] The company receives a subsidy from the State and is currently being restructured.

United States - WT/TPR/S/160/Rev.1

P. 66, para. 206

The American Jobs Creation Act of 2004 also introduced a phased-in, 9% tax deduction for certain producers, including: manufacturers; **software** companies; **film production** companies; electric, gas, and water companies; **construction** companies; and **engineering and architectural** firms. The deduction is a percentage of the lesser of "qualified production activities income" or taxable income, and is limited by wages.[66] Eligible companies may claim a deduction of 3% in 2005-06, 6% in 2007-09, and 9% thereafter. The Congressional Budget Office estimates the cost of the tax deduction for producers at US$76.5 billion over 2005-14.

P. 110, para. 126 and 127

A number of programmes are in place to allow for the eventual use of the U.S. commercial fleet for defence purposes. The Maritime Security Program (MSP) supports the U.S.-flag merchant marine by providing a fixed payment to U.S.-flag **vessel operators**. The ten-year MSP provides funding for 47 vessels to ensure that a certain number of militarily useful vessels from the commercial fleet are available to meet U.S. sealift requirements in time of war or national emergencies. Funding of up to US$98.7 million per year is authorized through FY 2005, but must be appropriated by the U.S. Congress every year. In FY 2004, direct payments of US$98.7 million were made by MARAD for the MSP.67 The current MSP expires at the end of FY 2005.

A new ten-year programme begins 1 October 2005 and provides funding for 60 ships receiving MSP assistance subject to annual Congressional appropriations. The authorized funding for

[65] Order No. 2003-0275/PR/MCCPT of 3 April 2003.
[66] Section 199(c), American Jobs Creation Act of 2004.
[67] MARAD (2003a).

FY 2006 through FY 2008 is US$2.6 million per vessel annually; it increases to US$2.9 million per vessel annually for FY 2009-11, and US$3.1 million during FY 2012-15.

P. 112-113, para. 137, 139 and 140

Under the Port Security Grants (PSG) Program, owners and operators of U.S. ports and terminals, U.S. inspected **passenger vessels and ferries**, as well as port authorities and state and local agencies, may benefit from grants from the U.S. Department of Homeland Security, Office of Domestic Preparedness, to improve security for operators and passengers through physical security enhancement.[68] In FY 2005, 66 U.S. ports were eligible for funding and US$140.9 million were allocated for the programme.[69]

MARAD provides financial assistance to ship-owners and U.S. shipyards through the Federal Ship Financing Program (Title XI), established pursuant to Title XI of the Merchant Marine Act, 1936, as amended. This programme, consists of federal government guarantees of private-sector financing or refinancing obligations for ship construction or reconstruction of U.S. and foreign-owned vessels in U.S. shipyards. The guarantee is based on the "actual cost" of the vessels or the technology used in shipbuilding, which generally includes the cost of construction, reconstruction, or reconditioning of the vessel, together with construction period interest and the guarantee fee.[70] The guarantees are up to 87.5% of the value of the project, for up to 25 years depending on the type of project. In FY 2004, new applications from two companies for projects totalling US$178 million were approved, representing US$152 million in guarantees. Three applications were approved in FY 2003 for projects costing US$446.6 million with guarantees of US$345.4 million. On 30 September 2004, Title XI guarantees totalling US$3.5 billion were outstanding, and applications totalling over US$1.5 billion were pending approval.

Under the Capital Construction Fund (CCF) and Construction Reserve Fund (CRF), U.S. citizens owning or leasing vessels may obtain tax benefits to construct qualified vessels. The CCF provided tax-deferral benefits to vessel operators in U.S.-foreign commerce, Great Lakes operations, non-contiguous domestic trade, and U.S. fisheries. CCF vessels must be built in the United States and documented under the laws of the United States.[71] The stated purpose of the CCF is to make up for the competitive disadvantage operators of U.S.-flag vessels face in the construction and replacement of their vessels relative to foreign-flag operators whose vessels are registered on countries that do not tax shipping income. The CRF is a financial assistance scheme that provides tax-deferral benefits to U.S.-flag operators with respect to gains attributable to the sale or loss of a vessel, provided the proceeds are used to expand or modernize the U.S. merchant fleet.

P. 114, para. 151

The DOT manages federal support programmes for services to remote areas. The main programmes are the Essential Air Service (EAS) Subsidy Program, under which approximately US$100 million are spent per year[72], and the Small Community **Air Service** Development Pilot Program, under which funds were appropriated for the first time in FY 2002. Under the small community Programme US$19.8 million was available for grant awards in FY 2004 and US$20 million in FY 2005. No limits are set on the amounts of individual awards; since the

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[68] Transport and Security Administration online information. Available at: http://www.tsa.gov/public/.

[69] U.S. Department of Homeland Security (2005).

[70] MARAD online information. Available at: http://www.marad.dot.gov/TitleXI/crf.html.

[71] MARAD online information. Available at: http://www.marad.dot.gov/TitleXI/crf.html.

[72] DOT, Office of Aviation Analysis, Essential Air Service Program. Available at: http://ostpxweb.dot.gov/aviation/X-50%20Role_files/EAS.htm#Reports.

beginning of the programme, they have ranged from US$85,000 to nearly US$1.6 million. Apart from support at the federal level, incentives may be granted at the state and local level, especially for airports in small and mid-size cities.[73]

People's Republic of China - WT/TPR/S/161/Rev.1

P. 118, para. 195

Business tax is a local tax covering domestic taxable services, transfer of intangible assets, and sales of immovable property, excluded from the VAT (Table III.11); it is not levied on imports. The tax is assessed on business turnover. Deductions are permitted for agency and **transportation services**. The rates range from 3% to 20% depending on the services provided. Recent adjustments to the business tax appear to include raising the taxable threshold from earnings of Y 1,000 to Y 5,000 per month or above Y 100 per day or transaction.

Table III.11
Business tax rates

Taxable item	Rate (%)
Communications and transportation	3
Construction	3
Financial and insurance business	5
Post and telecommunications services	3
Culture and sports	3
Entertainment	5-20
Services (including agencies, hotels, food and beverages, tourism, warehousing, leasing, advertising)	5
Transfer of intangible assets	5
Sale of immovable property	5

Note: Business tax exemptions may be available for: nursing services provided by nurseries, kindergartens, old people's homes, welfare institutions for the handicapped; matchmaking and funeral services; services provided individually by the disabled to the public; **medical services provided by hospitals**, clinics and other medical institutions; **educational services** provided by schools and other educational institutions and services provided by students in part time work; agricultural mechanical ploughing, irrigation and drainage, prevention and treatment of plant diseases and insect pests, plant protection, insurance for farming and animal husbandry, and related technical services; breeding and prevention and treatment of diseases of poultry, livestock, and aquatic animals; admission fees for cultural activities conducted by memorial halls, museums, cultural centres, art galleries, exhibition halls, academies of painting and calligraphy, library and cultural protective units, and for cultural and religious activities on religious premises.

Source: Beijing Local Taxation Bureau online information. Available at: http://english.tax861.gov.cn/zgsky/zgsky.htm [29 November 2004]; and information provided by the authorities.

P. 120-122, para. 199

China also appears to give special preferences to priority sectors, including agriculture, forestry, livestock and fisheries industries, **transportation**, **energy**, high technology industries, industries that protect the environment, and "industries that use resources in an integrated manner".

[73] GAO (2003).

Table III.12
Income tax concessions and preferences for foreign-invested enterprises

Preferential tax rate of 15%

FIEs in the Shenzhen, Zhuhai, Shantou, Xiamen and Hainan SEZs;
FIEs engaged in production and established in economic and technological development zones approved by the State Council;
FIEs established in the Pudong New Area in Shanghai;
Technology-based FIEs in old urban districts of SEZs, economic and technological development zones, and coastal economic open areas approved by the State Council with long investment recovery periods and foreign investment exceeding US$30 million;
FIEs engaged **in energy, transport, and port construction projects**;
FIEs engaged in export processing in bonded zones;
High technology FIEs in new and high technology industrial development zones at state level approved by the State Council.

Preferential tax rate of 24%

Production FIEs based in the old urban districts of coastal economic open areas, special economic zones, and economic and technological development zones where the 15% preferential tax rate is not applicable;
open coastal cities, open cities along the Yangtze River and in inland and border regions, as well as other areas designated by the State FIEs in Council;
FIEs in State **tourist** resorts.

Tax exemptions or reductions

Production FIEs with an operating period of over ten years (excluding oil, natural gas, and rare and precious metal exploration): eligible for tax exemption for the first two profit-making years and 50% reduction in the following three years; with SAT approval FIEs engaged in agriculture, forestry, and animal husbandry or established in economically backward and remote border areas may pay a reduced rate between 15% and 30% for another ten years;
Foreign joint ventures engaged in port and wharf construction and with an operating period of over 15 years: eligible for a corporate tax exemption for the first five-profit making years, followed by a 50% reduction in the corporate tax rate for the next five years;
Infrastructure projects in airports, ports, wharfs, railways, highways, power stations, coal mines and water conservation, as well as agricultural development in the Hainan SEZ with an operating period of over 15 years: eligible for a corporate tax exemption during the first five years, followed by a 50% reduction for the next five years;
FIEs providing services in the SEZs with foreign investment over US$5 million and with an operating period of over ten years; and foreign invested banks, Sino-foreign joint venture banks and other financial institutions in SEZs and other areas designated by the State Council with foreign capital investment exceeding US$10 million and with an operating period of over ten years: eligible for corporate tax exemption in the first profit-making year followed by a 50% reduction in the second and third years upon approval from the local tax authorities;
Recognized high tech Sino-foreign joint venture enterprises in state level high technology development zones with an operating period

Tax exemptions or reductions

Production FIEs with an operating period of over ten years (excluding oil, natural gas, and rare and precious metal exploration): eligible for tax exemption for the first two profit-making years and 50% reduction in the following three years; with SAT approval FIEs engaged in agriculture, forestry, and animal husbandry or established in economically backward and remote border areas may pay a reduced rate between 15% and 30% for another ten years;
Foreign joint ventures engaged in port and wharf construction and with an operating period of over 15 years: eligible for a corporate tax exemption for the first five-profit making years, followed by a 50% reduction in the corporate tax rate for the next five years;
Infrastructure projects in airports, ports, wharfs, railways, highways, power stations, coal mines and water conservation, as well as agricultural development in the Hainan SEZ with an operating period of over 15 years: eligible for a corporate tax exemption during the first five years, followed by a 50% reduction for the next five years;
FIEs providing services in the SEZs with foreign investment over US$5 million and with an operating period of over ten years; and foreign invested banks, Sino-foreign joint venture banks and other financial institutions in SEZs and other areas designated by the State Council with foreign capital investment exceeding US$10 million and with an operating period of over ten years: eligible for corporate tax exemption in the first profit-making year followed by a 50% reduction in the second and third years upon approval from the local tax authorities;
Recognized high tech Sino-foreign joint venture enterprises in state level high technology development zones with an operating period of over ten years: exempt from corporate income tax during the first two profit-making years with the approval of the tax authorities; foreign-invested export-oriented enterprises with export values of over 10% of their total output value, and foreign-invested high tech enterprises whose status remains unchanged: entitled to a lower corporate tax rate of 15% or 10% following the expiry of the corporate income tax exemption period.

Tax concessions for central and western regions

FIEs under the "encouraged" category in the western region of China that are eligible for a two-year income tax exemption followed by a three year tax reduction by half: eligible for a reduced corporate tax rate of 15% for three more years; FIEs recognized as high tech or export oriented, exporting over 70% of their annual output: eligible for a 50% reduction in corporate income tax during these three years although the tax cannot fall below 10%. It is not clear whether this means that the tax rate can be between 10% and 50%.

Source: Hong Kong TDC Research Department (undated), *Guide to Doing Business in China (2004/05)*. Available at: http://www.tdctrade.com/chinaguide/eng/04/4-2.pdf.

P. 124, para. 204

No data were available on any direct assistance with regard to services and utilities. Indirect measures are used, such as price controls (electricity, oil, telecommunication services) as well as a recent injection of US$45 billion to partially bail out two state-owned **banks** to prepare them for restructuring and eventual listing on the stock exchange.

P. 216, para. 172 and 173

Despite partial reform attempts, the history of state involvement in and control over China's **banking** sector has resulted in significant governance and financial problems. The SOCBs accumulated large portfolio's of NPLs as a result of lending to SOEs. Estimates of the size of the NPLs vary, but figures released by the SOCBs in 2001 showed a range from around 18% at the CCB to over 40% at the ABC. Independent estimates put NPLs at between 30% and 60% of total loans, with the SOCBs having the largest share.[74] Several attempts have been made to address the problems of the SOCBs, including through cash infusions and purchase of NPLs. For example, in 1999 Y 270 billion was injected into the four SOCBs, and Y 1.4 trillion of NPLs were purchased and transferred to four special asset management companies (AMCs), all owned by the Ministry of Finance. According to the authorities, the AMCs, which were given ten years to recover what they could, had disposed of around Y 940 billion by the end of 2004, of which around Y 430 billion (around 30%) was at the final stage of disposal. The AMCs are expected to complete the disposal of their debts by 2006.[75]

Most recently, in 2003/04, the Government used US$45 billion of its foreign exchange reserves to partially bail out two SOCBs (Bank of China and the China Construction Bank) to prepare them for possible listing on the stock exchange (see below).[76] The Government created a state-owned entity, Huijin Investment, to manage the Government's investment in the two banks.[77] Banks were also warned to stop lending to customers with poor credit records. However, the financial performance of the SOCBs remains poor. The average NPL ratio, especially among the SOCBs has remained high, at 20% of outstanding loans, with 8% for the joint-stock commercial banks at the end of 2003. More recently, the CBRC announced that the NPL ratio in the 16 largest banks (four SOCBs and the 12 joint-stock banks) fell from 17.8% at the end of 2003 to 13.2% by the end of 2004; by September 2005, the figure had fallen further to 8.7%.[78] However, it has been suggested that because these figures do not reflect the NPLs that were transferred to the AMCs in 1999, and a further transfer of bad loans from the two "pilot" SOCBs as part of their recapitalization, they are actually underestimates.[79] The banks also have a substantial number of special mention loans that are considered performing, but have a higher risk of becoming non-performing in the future. At end 2002, the share of such loans was 14% for the Bank of China, 19% for CCB and 12% for ICBC. Another problem is the low CARs among the SOCBs. The average CAR for the four banks was 6.8%

[74] Green (2003).

[75] CBRC (undated a).

[76] US$23 billion of this was injected into the China Construction Bank at the end of 2003.

[77] Huijin's senior staff seem to come mainly from the PBC, the State Administration of Foreign Exchange (SAFE), and the Ministry of Finance. It thus seems likely that once the two SOCBs are listed on the stock exchange, Huijin would retain majority ownership of these banks (Royal Institute of International Affairs, 2004).

[78] CBRC online information. Available at: http;//www.cbrc.gov.cn/english/ [6 April 2005].

[79] A large part of the outstanding NPLs transferred to the AMCs remains to be resolved. For example, as of September 2003 the AMCs had disposed of around 30% of the stock of NPLs that they had originally assumed (Prasad, 2004). It has also been suggested that if these NPLs were added to the total figure given by the CBRC, the figure would rise from 13.2% to 19.8% (*China Economic Quarterly*, 2005, Q1, pp. 10-11).

at the end of 2004, still below the required 8%[80]; the total number of banks meeting this requirement, including the City Commercial Banks, rose from eight at the beginning of 2004 to 33 by June 2005.[81] It is also estimated that the return on assets of the Chinese banking sector is less than 0.5%, worse than for many countries in the region.[82] In addition, largely as a result of these problems, the private sector has tended to use forms of financing other than through banks.

P. 286-289, table AIII.6

Table AIII.6
Subsidies as notified to the WTO

Scheme and eligibility	Incentives	Annual value
[...]		
Preferences for the SEZs (excluding Pudong Area of Shanghai)		
Foreign invested enterprises established in the SEZs and foreign enterprises engaging in production and business in the SEZs; **service sector enterprises** with foreign investment over US$5 million and operating over a ten-year period	Preferential income tax rates of between 15% or 24% (standard rate of 33%) or exemption from income tax	..
Preferential policies for the economic and technology development areas		
Foreign invested productive enterprises in the economic and technology development area; foreign invested productive enterprises established in the old areas of the cities where the zones are located; technology intensive projects, projects having foreign investment of over US$30 million with a long payback period, and projects in sectors encouraged by the State such as **energy and transportation**	Preferential tax rates of 15% or 24% (standard rate of 33%)	..
Preferences for the Special Economic Zone of the Pudong Area of Shanghai		
Foreign invested productive enterprises established in the SEZ of the Pudong Area of Shanghai and for foreign invested enterprises engaged in construction of infrastructure; foreign invested enterprises engaged in energy and transportation projects such as airports, ports, railways, power stations etc. expected to operate longer than 15 years.	Income tax rate of 15%. For foreign invested enterprises engaged in energy and transportation projects expected to operate longer than 15%, income tax for the first 5 years from when the project becomes profitable, is exempted. Between the sixth and tenth years of profitability, income tax is reduced by 50%.	..
Preferences for foreign invested enterprises		
Foreign invested productive enterprises operating for over ten years	Income tax exemption for the first two years; income tax for the third to fifth years is reduced by 50%	..
Chinese-foreign joint enterprises engaged in the construction of ports, docks and berths	Income tax rate of 15%. Income tax exemption for the first 5 years is for those operating for over 15 years; and 50% reduction in income tax for the sixth to the tenth years.	..
[...]		..

[80] In the case of the Agricultural Bank of China, the CAR at the end of 2002 was estimated to be as low as 1.44 (Pei and Shirai, 2004).
[81] CBRC (undated a).
[82] "Special Report: China's banking industry", *Economist*, 29 October 2005.

Scheme and eligibility	Incentives	Annual value
Income of foreign investors without commercial establishments in China (eg. dividends, interest, rentals, franchising fees)	Income tax rate of 20% except for foreign investors' profit from their enterprises in China, which are entitled to 100% tax exemption	..
Income of foreign investors without commercial enterprises in China	Preferential income tax rate of 20%; 10% for franchising fees from provision of special technology to scientific research, energy, transportation, agriculture, forestry and animal husbandry; tax exemption may be applied for advanced technology	..
[...]		
Loans from State Policy Banks[d]		
State Development Bank: infrastructure development in energy, transportation, telecommunications, water conservation, resource development in central and western parts of China as well as technology renewal	Loans at low rates of interest	State Development Bank: Y 200 billion of which 9.6% for the manufacturing sector
Export and Import Bank of China: loans to guarantee export credit by commercial banks and for direct export credit		Export and Import Bank of China: Y 21 billion
Agriculture Development Bank of China: loans for purchase and storage of agricultural products, forestry, construction and water conservation		Agricultural Development Bank of China: Y 500 billion
[...]		

n.a. Not applicable.
.. Not available.

a According to China's statement to the Committee on Subsidies, these were eliminated in 2001 (WTO document G/SCM/W/522, 11 November 2002).
b According to China's statement to the Committee on Subsidies, these were eliminated in 2001 under a Decree of the Ministry of Finance on 11 December 2001 (WTO document G/SCM/W/522, 11 November 2002).
c Tariff reductions and exemptions granted before 1 April 1996 for imported equipment and material for foreign invested enterprises, for domestic technology renovation and infrastructure construction projects, for SEZs and Economic and Technology Development Areas, for border trade, processing trade and compensation trade, was to be terminated except for the following transitional periods granted:
- for foreign invested enterprises with total investment of under US$30 million approved before 1 April 1996, tariff reductions and exemptions for imported equipment and material would remain valid until 31 December 1996; for enterprises with investment above US$30 million, the transitional period would end on 31 December 1997;
- for industrial projects in areas such as energy, transportation, metallurgy, with investment of over Y 50 million and for technology renovation projects in manufacturing with investment of over Y 30 million, which were approved before 1 April 1996, tariffs for imports of equipment would be subject to a 50% reduction until 31 December 1997;
- goods imported into the five SEZs and into the Pudong Area in Shanghai and the Industrial Development Zone in Suzhou would be subject to normal tariffs rates after 1 April 1996. However tariff refunds would be granted between 1996 and 2000, with the volume decreasing annually. The rates of refund were not available to the Secretariat. The refund was due to be terminated after 2000. No information was provided on whether these transitional periods are now over and if these tariff reductions and exemptions have now been terminated.
d The State Development Bank, the Export and Import Bank of China, and the Agriculture Development Bank of China.

Source: WTO document WT/ACC/CHN/18, 6 June 2000; and WT/L/432, 23 November 2001, Annex 5B.

United Arab Emirates - WT/TPR/S/162/Rev.1

P. ix, para. 14

Services, mainly transport, have rapidly become a strategic priority. The objective is to make the UAE a major transport hub between Europe and South-East Asia. Accordingly, public funds were invested in developing port and airport infrastructure, **airlines, and shipping companies and agencies**. In parallel, tourism, which is targeted as a major source of future growth in the UAE, is now among the fastest growing activities. The financial subsector is also developing rapidly, in part through the creation of the Dubai International Financial Centre, a financial free zone regulated at the Dubai Emirate level. The telecommunication subsector remains state-controlled, but changes are under way.

Uruguay - WT/TPR/S/163/Rev.1

P. 78, para. 209, 210 and 212

The Investment Law contains a number of general incentives for investment, mainly in the form of exemption from certain taxes. The beneficiaries are Uruguayan or foreign taxpayers engaged in industrial (manufacturing and mining) or agricultural ("promoted") activities. Business and services activities are not eligible for the incentives, except for those related to **tourism**, agriculture or industrial activities.[83]

The fiscal benefits of the Investment Law are available for the purchase of fixed assets, both tangible and intangible, and include the following: (a) exemption from the Wealth Tax (PAT) for fixed assets acquired after the entry into force of the Law; (b) exemption from VAT and the IMESI for the import of fixed assets and refund of VAT on their purchase on the market; and (c) the establishment, for the purposes of the IRIC, the IRA and the PAT, of an accelerated depreciation scheme for eligible fixed assets. The incentives are granted for specified periods defined in each Resolution. Exemptions and other benefits only apply when the asset actually becomes part of the company's net wealth. Companies may only receive the benefits if they make profits, so they mainly apply to companies that already exist and reinvest their profits (ploughing back savings). The authorities have indicated that, in the case of new companies, the first year is not counted in calculating the profits, so as to allow them a period of time in which to earn profits. Exemption from the PAT for the full value of the investment is usually for a period of 3 to 5 years (see below).

The authorities have indicated that the average incentives are around 30 per cent of the investment and it is estimated that the revenue foregone because of PAT exemptions in 2004 was around US$10.2 million, while exemptions from the IRIC for reinvesting savings and reserves were estimated to amount to US$18 million.

P. 125, para. 198, 199 and 200

The **tourism** sector is eligible for the general incentives provided in Law No. 16.906 of 7 January 1998 (Investment Law) (Chapter III(4)(iii)). In addition, the tourism sector is given special incentives contained in the Executive Decree No. 175/003 of 7 May 2003 and amendments thereto, to be found in Decree No. 350/004 of 29 September 2004 and Decree No. 262/005 of 5 September 2005. Foreign operators are given national treatment as far as the incentives are concerned. The Investment Law provides that, in order to declare a tourism activity to be a "promoted activity", its contribution to the following is taken into account: the geographical and tourism development of the infrastructure in

[83] Agricultural services projects are deemed eligible if they meet at least one of the following three criteria: they increase the supply of services that are insufficient or lacking, in quantity or quality; they enhance the competitiveness of the agro-industrial chain; or they generate national value added, with the emphasis on jobs. Services that are important for industry and are directly related to production are also eligible. The only business activities eligible are those which form part of a project whose main activity is agriculture or industry, are wholesale activities, and are an important addition to the principal activity. See; COMAP (Law No. 16.906 of 7 January 1998), *Criterios Básicos Generales en los que se fundamentan las actuaciones de la Comisión a efectos de su asesoramiento al Poder Ejecutivo para los proyectos contemplados en la Ley*, in effect since 10 December 2003.

the zone in which the project is to be situated; fulfilment of specific needs in the tourist facilities offered in this zone; generating and attracting tourism demand; and creating innovative tourist services.

Pursuant to Decree No. 175/003, projects declared to be promoted activities pursuant to the Investment Law are eligible for the following in ascending order, according to the progress made in carrying out the work and in accordance with the approved timetable: (a) credit for the VAT paid for on-the-spot purchases of goods and services to be used in the construction, improvement or expansion, as well as fixed assets to equip or renovate the construction; (b) exemption from VAT and 50 per cent exemption from all other taxes on imports of goods for the aforementioned purpose; (c) when paying the IRIC, investment in construction, improvements or expansion may be written off over 15 years, while investment in equipment can be written off over five years; and (d) exemption from the PAT for investment in infrastructure and civil engineering works for construction, improvement or expansion at the end of the financial year in which the works were initiated and for the following 10 years. Exemption from the PAT is also given for fixed assets to be used for equipment at the close of the financial year in which the assets were incorporated and for the following four years.

In order to be eligible for these incentives, the potential beneficiaries must request a declaration of such status from the Ministry of Tourism. In order to obtain this, the company must be registered in the Register of Tourism Operators kept by the Ministry of Tourism. The taxable amount for receiving these incentives, solely for fixed assets in equipment or its renovation, may not exceed 99,400 IU (some US$6,200) per room or unit.

Iceland - WT/TPR/S/164/Rev.1

P. 82, para. 89

The Electronic Communications Act provides for all users to be entitled to universal service at the same tariff rate throughout the country. The universal service obligation relates to basic **telephony**, data (128 Kb connection), and some other services. To ensure this obligation is met, the PTA may place obligations on electronic communications providers and set minimum quality requirements. According to the authorities, minimum quality requirements have been issued by the PTA. The PTA also holds custody of an equalization fund to support universal service operations that are either unprofitable or run at a loss. The fund is financed by a 0.12% fee levied on the turnover of all electronic communications providers. The authorities note that the turnover of the fund has been small, and has just provided for the answering of emergency calls. They also indicate that government funding will be targeted at expanding GSM and broadband networks into non-commercially viable areas; ISK 2.5 billion is to be allocated to this project until 2009.

P. 90, para. 130

According to the Icelandic authorities, procedures and fees are the same for both domestic and international **airline** companies. The Government, however, provides support for air transport to a number of domestic destinations that have not proven economically viable. ISK 90 million was granted in 2001; grants are given to airlines via an open competition.[84] According to the Ministry of Transport, ISK 140 million per year will be set aside to support domestic flights until 2009.

Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu - WT/TPR/S/165/Rev.1

P. 48, para. 81 and 82

The first export processing zone (EPZ) in Chinese Taipei was established in 1966. Since then, the concept of free zones has expanded to embrace not only manufacturing, but trade, **warehousing, distribution, marketing, and other services**. Ten EPZs hosting about 340 enterprises are currently operational, with total investment of US$3.9 billion.[85] There are also six science-based industrial parks (SIPs)[86] and five free-trade zones.[87]

Imports into free zones are exempt from customs duty and other taxes. Commodities shipped from the zones to non-bonded areas are subject to domestic import and export regulations. Businesses within free-trade zones are allowed to employ non-Chinese Taipei persons up to 40% of the total number of employees. Entities operating within the zones, enjoy equal treatment in terms of duties and all taxes, including income taxes.

P. 51, para. 93 and 94

Chinese Taipei provides subsidies to selected products and activities in agriculture, fisheries, and industry.[88] In agriculture, subsidies are provided for the production of rice, sorghum and feed corn, sweet potatoes, beans, tobacco leaves, certain vegetables, and sugar. In fisheries, the government implements buy-back programmes for fishing vessels, subsidies for stopping fishing, grants for the use of water-recirculation devices used in aquaculture, marine insurance for fishing vessels and fishermen, and aqua-cultural facilities loan programmes. In the industrial sector, the government provides subsidized loans for small and medium-sized enterprises (SMEs), for product marketing, and for overseas investment and **construction** projects. The government also provides tax incentives and funds for development of "newly-emerging, important and strategic" industries and for regional development".[89] These support schemes are contingent neither on export performance nor upon the use of domestic over imported goods. According to the authorities, domestic and non-Chinese Taipei enterprises are eligible for these subsidies on an equal basis.

According to the authorities, subsidies provided to the above-listed activities, in the period 2002-04, totalled NT$134.2 billion: NT$36.7 billion in 2002, NT$41.3 billion in 2003, and NT$56.2 billion in 2004.

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[84] Ministry of Communications (2003), Transport, Transport Policy Plan 2003-2014. Available at: http://samgonguraduneyti.is/media /Skyrsla/Samgonguaaetlun2003_2014.pdf.

[85] Businesses that can be established in the EPZs include: machinery and equipment, medical equipment; electronics; chemicals and biochemicals; textiles and apparel, motor vehicles, food processing, and various other manufacturing. Businesses providing consulting, logistics, shipping, insurance, trading, legal and accounting services are also allowed. Thresholds set for businesses to start the operations in EPZs are NT$80 million for warehousing industries and NT$1 million for others.

[86] SIPs are established mainly to encourage the development of industrial technology and to promote high-tech industries. The first SIP was established in 1980.

[87] A free trade zone is an area situated within the controlled district of an airport or seaport, or within an industrial park, export processing zone, science-based industrial parks, or other areas as approved for the purpose of conducting domestic and non-Chinese Taipei business activities. Five approved free trade zones to date are Keelung, Kaohsiung, Taipei, and Taichung free-trade harbours and Taoyuan free-trade airport zone.

[88] WTO document G/SCM/N/123/TPKM, 3 August 2005.

[89] WTO documents G/SCM/N/95/TPKM and /123/TPKM, 8 February 2005 and 3 August 2005.

P. 75, para. 153

The government intends to treat the following services sub-sectors as "emerging industries" as defined under the Statute for Upgrading of Industries and to enable businesses in these sectors to be eligible for investment incentives under the Statute for the Development of SMEs: finance, distribution, telecommunication and media, healthcare, training, tourism, cultural and creative services, design, information, R&D, environmental protection, and engineering consulting services. Chinese Taipei's main laws regulating services sectors are outlined in Table AIV.1).

Nicaragua - WT/TPR/S/167/Rev.1

P. 88, para. 121

Law No. 306 determines a number of tax and tariff exemptions. Unlike the tax exemptions in other sectoral laws, this Law affords investors greater security of access to the fiscal incentives it provides and lays down clearer rules for its administration by the Government, through the establishment of a Committee made up of various government and private-sector institutions. Once a project has been approved, INTUR is responsible for ensuring its implementation in accordance with the terms approved by the Committee. Law No. 306 allows exemption from import duties and taxes and VAT for local purchase of building materials and fixtures (Article 5.1.1).[90] It also provides for, *inter alia*, exemption from import duties and taxes and/or VAT on local purchase of articles, furniture, equipment, boats, automobiles carrying 12 or more passengers, and freight declared by the INTUR to be necessary for setting up or operating **tourist activities**, and on the purchase of equipment that helps to save water or energy, as well as equipment needed for the project's security, for a period of 10 years as of the date on which INTUR declares that the company in question has commenced operations (Article 5.1.2). In December 2005, amendments to Law No. 306 were approved, extending the benefits and incentives to small and medium enterprises (SMEs) engaged in tourism, and also creating a Tourism Development Fund to promote investment in tourism SMEs.

Bangladesh - WT/TPR/S/168/Rev.1

P. 84, para. 193

SOEs exercise a dominant influence in many prominent industries in Bangladesh, for example, jute, textiles, steel and chemical/fertilizer production, sugar, and utilities. Many continue to operate at a loss (Table III.§13). At present, SOEs losses seem to consume 2% of GDP.[91] Nevertheless, the overall SOE losses have been reduced substantially and their contribution to national output, value addition, employment generation, and revenue seems to have increased. In 2003/04, their revenues grew by 8.25% and their value addition by 20.56%.[92] In 2004/05, some 20 of the largest, non-financial SOEs incurred a net total loss of Tk 43 billion; the largest losses were registered by **energy- and transport-**related SOEs (BPC, BPDB, BBC) while the water company BWDB received 68% of the government subsidy. Crucial public services, such as power and transport, are also still largely inefficient monopolies, which limits private sector productivity and growth.

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[90] Nevertheless, this Article specifies that such exemption only applies if the articles are not produced in Nicaragua or their quantity or quality does not suffice.

[91] *The Financial Express*, Tuesday 21 February 2006.

[92] Ministry of Finance (2005a).

Table III.13
Economic performance of selected non-financial SOEs, 2004-05
(Tk million)

Name of corporation	Net profit/loss[a]	Gov't. grants & subsidy[b]	Debit service liabilities	Outstanding bank loan (overdue loan)[c]
Agriculture & fisheries				
Bangladesh Agricultural Development Corporation	-252.9	380.0	0.0	953.5 (921.1)
Bangladesh Fisheries Development Corporation	16.4	..	0.5	0.5 (0.5)
Industry				
Bangladesh Textile Mills Corporation	-237.5	..	0.0	4,719.2 (4,643.7)
Bangladesh Steel and Engineering Corporation	97.5	..	10.0	1,842.2 (795.8)
Bangladesh Sugar and Food Industries Corporation	-252.6	..	25.0	4,761.1 (155.7)
Bangladesh Chemical Industries Corporation	-1,542.6	..	1,066.1	4,967.7 (2,844.4)
Bangladesh Forest Industries Development Corporation	48.6	..	0.0	0.0 (0.0)
Bangladesh Jute Mills Corporation	-1,740.3	271.0	0.0	28,439.0 (3,238.6)
Utility				
Bangladesh Oil, Gas and Minerals Corporation	3,966.4	..	2,367.7	0.0 (0.0)
Bangladesh Power Development Board	-6,146.6	..	1,250.0	8,821.3 (0.0)
Dhaka Electric Supply Authority	-1,233.7	..	450.0	151.7 (0.0)
Chittagong Water Supply Authority	0.9	..	37.5	0.0 (0.0)
Dhaka Water Supply Authority	545.7	..	135.0	0.0 (0.0)
Transport & communication				
Bangladesh Shipping Corporation	132.7	..	0.0	519.8 (519.8)
Bangladesh Inland Water Transport Corporation	244.0	5.0	103.9	4.4 (1.0)
Bangladesh Biman Corporation	-3,053.3	..	0.0	344.4 (0.0)
Bangladesh Road Transport Corporation	-270.9	..	0.0	30.8 (10.0)
Chittagong Port Authority	1,168.7	..	0.0	0.0 (0.0)
Chittagong Dock Worker's Management Board	-124.5	..	..	..
Mongla Port Authority	-199.8	..	0.0	0.0 (0.0)
Mongla Dock Worker's Management Board	-8.0	..	..	..
Bangladesh Telecommunication Regulatory Commission	2,579.5	..	..	..
Bangladesh Land Port Authority	110.7	..	..	..
Jamuna Multipurpose Bridge Authority	1,430.9	..	513.4	..
Commercial				
Bangladesh Petroleum Corporation	-27,726.7	..	367.9	44,409.0 (0.0)
Bangladesh Jute Corporation	5.5	..	0.0	0.0 (0.0)
Trading Corporation of Bangladesh	-1.5	..	0.0	0.0 (0.0)
Construction				
Rajdhani Unnyan Kartipakha	117.9	..	0.0	..
Chittagong Development Authority	233.2	..	0.0	..
Khulna Development Authority	0.6	..	0.0	..
Rajshahi Development Authority	6.0	1.0	0.0	..
Service and other sectors				
Bangladesh Small and Cottage Industries Corporation	-57.7	225.0	5.6	262.5 (251.5)
Bangladesh Freedom Fighters Welfare Trust	-33.6	164.4	0.0	143.1 (123.3)
Bangladesh Water Development Board	79.6	3,440.0	0.0	4.2 (4.2)
Bangladesh Tea Board	-5.8	..	0.0	50.1 (50.1)
Bangladesh Parjatan Tourism Corporation	9.6	..	7.5	0.0 (0.0)
Bangladesh Film Development Corporation	-2.0	..	3.0	26.2 (0.6)
Bangladesh Sericulture Board	..	40.7	0.0	0.0 (0.0)
Rural Electrification Board	2,551.9	80.0	1,238.1	0.0 (0.0)
Civil Aviation Authority	700.0	..	111.5	..

Name of corporation	Net profit/loss[a]	Gov't. grants & subsidy[b]	Debit service liabilities	Outstanding bank loan (overdue loan)[c]
Bangladesh Export Processing Zone Authority	292.2	..	55.8	..
Bangladesh Inland Water Transport Authority	-129.1	309.5	33.7	..
Bangladesh Handloom Board	..	46.7	0.0	..
Export Promotion Bureau	-1.8	100.0	..	..
Total	-28,770.9	5,063.3	7,782.8	100,450.7 (13,559.4)

.. Not available.

a Revised.
b Up to May 2005.
c Up to 30 June 2005.

Source: Ministry of Finance (2005), Bangladesh Economic Review 2005, June, Dhaka.

Kyrgyz Republic - WT/TPR/S/170/Rev.1

P. 71, para. 107

Insurance companies benefit from a concessional income tax rate of 5% of total premiums received in order to develop the insurance market.

East African Community - WT/TPR/S/171/Rev.1

P. A2-146, para. 16 and 17 (Tanzania)

Special duty and tax incentives are granted to local and foreign companies involved in "lead" and "priority" activities (Table II.3). Lead activities include: agriculture, agri-based industries, mining, petroleum and gas, tourism, and economic infrastructure (e.g. road, railway, port facilities, telecommunication). Priority activities include: manufacturing, natural resources (e.g. fishing and forestry), aviation, commercial building, financial services, transport, broadcasting, human resource development, and export-oriented projects.

The Investment Act also allows for enhanced incentives for investments that are considered to be strategic to the economy. The additional incentives are at the discretion of the responsible Minister. The Act does not define the term "strategic investment" but, currently, investment in the sugar industry would fall under this provision.

P. A2-147, table II.3 (Tanzania)

Table II.3
Investment incentives in mainland Tanzania to lead and priority sectors, 2006

	Duty (%)	VAT	Other (%)
Lead sectors			
Agriculture			
All capital goods	0	Deferred	
Agricultural machinery/equipments	0	Exempt	
Fertilizers and pesticides	0	Exempt	
Farms implements and other inputs	0	Exempt	
One non-utility administrative vehicle	0	Deferred	
Corporate tax			30

Capital allowance			100
Withholding tax on interest on foreign-sourced loan			0
Withholding tax on dividends			10
Losses carried forward for five years			
Mining[a], petroleum, and gas[b]			
All capital goods	0	Relieved	
Spare parts	0	Relieved	
Explosive and other supplies	0	Relieved	
Fuel and oils	0	Relieved	
Corporate tax			30
Capital allowance			100
Resident and non-resident withholding tax on technical services			3
Economic infrastructure[c]			
All capital goods	0	Deferred	
Spare parts	0	Deferred	
Vehicles	0	Deferred	
Corporate tax			30
Capital allowance			100
Withholding tax on dividends			10
Withholding tax on interest on foreign-sourced loan			0
Losses carried forward for five years			
Tourism			
All capital goods	0	Deferred	
Hotel facilities, e.g. carpets, furniture, etc.	0	Deferred	
One non-utility administrative vehicle	0	Deferred	
Vehicles for tour operators	0	Deferred	
Corporate tax			30
Capital allowance			100
Withholding tax on dividends			10
Withholding tax on interest on foreign-sourced loan			0
Losses carried forward for five years			
Priority sectors			
Capital goods	0	Deferred	
Raw materials	0	20%	
One non-utility administrative vehicle	0	Deferred	
Replacement industrial parts for the rehabilitation of privatized enterprises	0	Deferred	
Corporate tax			30
Capital allowance			100
Withholding tax on dividends			10
Withholding tax on interest on foreign-sourced loan			0
Losses carried forward for five years			

a Additional incentives are available under the Mining Act (Chapter IV(3)(i)).
b See Chapter IV(3)(ii)(b)) for details on incentives available for investments in petroleum and gas activities.
c Other incentives, as applicable in the mining sector, and provision of strategic investors status with incentives beyond those provided to normal investors.

Source: Information provided by the Tanzanian authorities.

P. A3-241 and A3-242, para. 60 to 62 (Uganda)

Licensed investors can enjoy a deferred VAT payment facility on plant and machinery, seedlings, greenhouse equipment, plastic sleeves, and tea clones. The facility is granted on a consignment-by-consignment basis, as approved by the VAT Commissioner. In addition, VAT exemption is extended to producers of agricultural products and unprocessed food, and some services (e.g. supply of **financial**, **educational**, **medical**, and social welfare services).

A newly licensed investor (referred to as an "investment trader"), investing in Uganda for the first time, can claim a refund of VAT paid on all purchases (both local and imported) for purposes of the licensed project. This applies to all sectors, except trade, and for a period of two years from establishment.

Investment incentives are not available for several types of businesses: wholesale and retail commerce, personal services, public relations business, car hire services and operation of taxis, bakeries confectioneries and food processing (for the Uganda market only), postal services, and professional services.

Colombia - WT/TPR/S/172

P. 123, para. 201

The Commercial Code allows the Government to grant subsidies to the **aviation** industry.[93] The authorities have explained that, as far as this provision is concerned, the Council of State determined that the Government could only subsidize public air transport companies.

Hong Kong, China - WT/TPR/S/173

P. 50-51, para. 80

Effective tax rates on profits tend to be lower than statutory rates, however, mainly because of the tax exemption of dividend income, the absence of capital gains tax, the exclusion from tax of offshore income/profits and interest income under specified circumstances, as well as generous depreciation allowances. For example, companies may immediately write off 100% of their expenditure on manufacturing plant and machinery and on computer **software** and hardware. Moreover, certain profits earned from **international shipping**[94], and from **airline services**[95], and interest income from deposits placed locally with all authorized banking institutions by corporations (except financial institutions) and unincorporated businesses are exempt from tax. No breakdown is available on the amount of revenue forgone as a consequence of individual tax incentives, such as accelerated depreciation.

P. 95, para. 69

They indicated that there is no special tax treatment of income from shipping services other than an exemption from profit tax for income derived from international operation of ships registered in the Hong Kong Shipping Register (HKSAR flag ships). Ownership of a HKSAR flag ship, however, is not limited to an HKSAR company; any company operating in Hong Kong, China, including foreign companies, are eligible. Income from the international operation of a ship by a non-resident ship-owner is also exempted if the territory in which that ship-owner is resident provides a substantially similar exemption to ship-owners resident in Hong Kong, China. Moreover, the income derived in HKSAR from the international operation of a ship by an enterprise of a territory that has a

[93] Article 1853 of the Commercial Code.

[94] Shipping profits are exempted from tax when they are derived from: international operations of a Hong Kong registered ship; the international operation of a ship by a non-resident ship-owner from a country that provides tax exemption in respect of uplifts by a non-resident ship-owner from Hong Kong, China; and the international operation of a ship by an enterprise of a country with which Hong Kong, China has signed an agreement for the avoidance of double taxation on/covering shipping income. The extent of exemption depends on the terms of the double taxation agreement (DTA).

[95] Aircraft owners are taxed on a portion of their worldwide profits that is derived from Hong Kong, China. Where there is a DTA covering airline profits, the HKSAR will also tax a resident airline operating international traffic on its income derived from an agreement country if such income has been granted tax relief by that country. On the other hand, Hong Kong, China will not tax the income of airlines of the agreement country derived from the HKSAR.

double taxation relief arrangement with the HKSAR covering shipping income is also exempted from the profit tax. The extent of exemption depends on the terms of the arrangement.

P. 102, para. 95

Hong Kong, China's public **healthcare services** are an integral part of the public services provided by the Government for residents. Public healthcare services are heavily subsidized; users contribute on average only about 5% of the cost. In terms of service volume, the public healthcare sector accounts for about 90% of all inpatient services and 15% of outpatient services provided in the Territory. However, in value terms, public spending on healthcare services accounted for no more than 60% of total health expenditure. Rapid advances in medical science and pharmaceutical technology mean more expensive treatment and drugs and lead to even higher public expenditure. According to the Hong Kong Population Projections, the proportion of residents aged 65 and over will rise from 12% in 2003 to 27% in 2033. These factors are bound to bring greater pressure on government finances. The Health, Welfare and Food Bureau is studying alternative arrangements for healthcare financing, and plans to launch public consultation on the recommended options. In finalizing an overall package, the HKSAR Government is to consider whether to provide a tax deduction for contributions to private medical insurance schemes.

Japan - WT/TPR/S/175

P. 28, table II.3

Table II.3
Measures to promote foreign direct investment into Japan, FY 2006

I.	**Loan guarantees through the Industrial Structural Improvement Fund (ISIF)**
	Relaxation of conditions for obtaining certification as a Designated Inward Investor: a company that has been operating for less than eight years (currently five years) is eligible for certification.
	Relaxation of conditions for obtaining loan guarantees from ISIF: currently, in order to obtain loan guarantees, as a rule, ISIF requires the backing of a capitalized enterprise and a legal representative of the borrower as a backer of guarantees. The condition of requiring a guarantee backer is abolished when the backing of a capitalized enterprise can be obtained.
II.	**Provision of low-interest financing from the Development Bank of Japan, etc.**
	Expanding eligible projects:
	limitation that required establishment in one of six industrial high-tech fields has been eliminated. Projects establishing facilities (including land) for lease by foreign companies and foreign affiliates with one third foreign ownership or more, or any company establishing office buildings in which the main tenants are non-Japanese businesses are eligible.
	Creating new loan programmes:
	loan programme for promoting market entry of foreign-affiliated firms: in addition to the capital investment finance, the new programme will finance related working capital needs (e.g. rent for facilities, property tax, insurance premium);
	loan programme for facilitating international cooperation between enterprises: if the foreign share in the company exceeds one third of total equity as a result of M&A, the company can obtain JDB loans for capital investment afterward. Corporate alliances involving transfer of operations are also eligible for this loan programme;
	loan programme for supporting environment-friendly management systems: if the foreign companies pass the bank's evaluating process, they can obtain a low-interest loan and the bank guarantees the company's bonds in order to support the projects.
III.	**Import promotion measures**
	Loan guarantees and exceptional measures provided by the Small Business Credit Insurance for FAZ-related businesses: businesses undertaking activities to promote distribution of imported cargo (**wholesalers**, manufacturers**, transporters** or **retailers** dealing with imported goods) within specified zones for congregation in FAZ areas designated by the local governments of approved FAZ areas can make use of following loan guarantees and exceptional measures related to credit insurance:
	loan guarantees through the (ISIF): loan guarantees are provided by the Industrial Structure Improvement Fund to aid in borrowing necessary funds, including operation funds;
	exceptional measures provided by Small Business Credit Insurance: Exceptional measures are provided by Small Business Credit Insurance to small and medium-sized companies.

	Special financing measures for FAZ-related businesses: with regard to the DBJ financing programme for import facilities enhancement and the low-interest loans provided by the Japan Finance Corporation for Small Business to facilitate import sales, import-related businesses within the FAZ areas are able to receive loans with special conditions: DBJ (Financing Programme for Import Facilities Enhancement): companies are eligible for this programme regardless of the share of imported goods among their handling. Also, manufacturers and others are able to receive loans not only when they invest in Japan for the first time, but for second and subsequent investments; Japan Finance Corporation for Small Business (Loans to Facilitate Import Sales): wholesalers or retailers selling imported goods through their own offices in the FAZ facilities or contacts with businesses in the FAZ facilities are able to receive up to ¥400 million.
IV.	**Measures for small and medium-sized enterprises**
	Training for administrative managers of foreign-affiliated firms: Institute of the Japan Small Business Corporation offers training programmes on personnel management and business practices in Japan, etc. for administrative managers etc; of small and medium-sized foreign-affiliated firms. The participants are subsidized on two thirds of the training fee.
V.	**Venture support measures**
	Loan guarantees for loans using collateral of intellectual property rights for venture enterprises: the ISIF provides loan guarantees for up to 80% (usually 70%) of business funds, and does not require a guarantee backer of a capitalized enterprise if the collateral of the loan is intellectual property rights. Investment for venture enterprises: in addition to a company that has been operating or has submitted an application for a patent less than five years earlier (currently three years), a company that establishes know-how in five years is able to take investments from the New Business Investment Company Limited. Introducing a stock option system: the Government of Japan expands the term of exercise for the company's executives or employees to accept new stock shares of the company at a lower price, from six months to within ten years, based on the resolution of a general meeting of stockholders.

Source: Information provided by the Japanese authorities.

<u>P. 50, para. 74</u>

Japan has notified various specific subsidy programmes to the WTO. Its latest notification, in July 2005, indicated 92 subsidy schemes to assist industry, **finance**, agriculture, forestry, and fisheries, and **transport** sectors.[96] Energy and mining, agriculture, research, and small and medium-sized enterprises (SMEs) have accounted for the majority of the subsidies notified by Japan since 1998.

<u>P. 79, para. 56</u>

In order to mitigate the a decrease in the number of Japanese-flag carriers, the Government provides support for Japanese-flag carriers (the so-called International Ship Regime). The Government has been providing such support measures, including tax breaks in respect of ship registration tax and local property tax, to increase the competitiveness of Japanese vessels vis-à-vis those of other countries that provide preferential tax treatment for their registered **ships**; in the tax reform of FY 2006, the preferential registration tax rate under the International Ship Regime was raised to 2.5% from 2.0% previously (compared with 4.0% charged to ordinary vessels).[97] According to the authorities, no exclusive rights or subsidies are given to Japanese flag-carriers; there are no discriminatory measures preventing foreign participation in the supply of auxiliary services.

Argentina - WT/TPR/S/176

<u>P. 127, para. 130</u>

The **banks** can receive financial assistance from the BCRA for temporary illiquidity, if, among other requirements, the liquidity ratio of the requesting entity is less than 25 per cent.

[96] WTO document G/SCM/N/123/JPN, 7 July 2005.

[97] The property tax on ships subject to the International Ship Regime equals two fifths of the tax charged to ordinary vessels.

Assistance is offered for a period of 90 days, which can be renewed for periods of the same length. Law No. 25.780, O.J. of 8 September 2003, stipulates that the BCRA is authorized to exclude certain assets and liabilities from a bank's restructuring process. This Law also provides that when a financial entity goes into liquidation, priority should be given to the refunding of the deposits made by natural and/or legal persons up to the amount of Arg$50,000, followed by larger deposits and by liabilities originating in commercial facilities granted to the entity that directly affect international trade. Bank deposits are protected by the Deposit Guarantee Fund, in accordance with Law No. 24.485, O.J. of 18 April 1995. The Fund is administered by *Seguro de Depósitos S.A.* (SEDESA), a limited company created by Decree PEN No. 540/95. The Fund covers several types of deposits in pesos and foreign currency up to Arg$30,000 per depositor and entity. The Fund dealt with 27 cases between October 1996 and November 2005 (16 since 1999), disbursing a total of Arg$2,135.4 million. On 30 June 2006, the available balance in the Fund amounted to Arg$1,440.3 million (some US$480 million).[98]

European Communities - WT/TPR/S/177

P. 71, para. 101 and 102

In 2005, the latest year for which data are available, there were around 764 registered cases relating to state aid; 84 of these were initiated by the Commission. There were 21 cases found to be incompatible with the internal market principles. In 2004, around €62 billion were granted throughout the EC in state aid (excluding aid to railways), representing about 0.6% of EC GDP.[99] In 2004, state aid (excluding aid to railways) varied widely between Member States, from 0.4% of GDP or less in Belgium, the Czech Republic, Estonia, Greece, Latvia, Luxemburg, the Netherlands and the United Kingdom, to 1.5% or more in Cyprus, Malta, Poland, and Finland (Table III.13). In terms of state aid granted (excluding aid to agriculture, fisheries, and transport), Estonia, Lithuania, and Latvia accounted for the lowest levels (0.09%, 0.13% and 0.16% of GDP respectively), and Malta, Cyprus, and Poland for the highest (2.71%. 1.06% and 1.01%). Germany granted the highest amount of aid (€17 billion), followed by France (€9 billion) and Italy (€7 billion). Sector-wise, around 65% of state aid was channelled to manufacturing activities and various service subsectors, some 24% to agriculture and fisheries, 9% to coal, and 2% to **transport** (Table III.13). There are wide differences in sectoral allocation of state-aid across Member States. For example, in Estonia and Lithuania 24% and 16% of their state-aid was granted to manufacturing (respectively), and 76% and 81% to agriculture; in Italy and the United Kingdom sectoral allocation was almost exactly the opposite.

Table III.13
State aid in the EC, 2004

Country	Total aid as % of national GDP		% of total aid by sector[a]							Total aid
	Excluding railways	Excluding agriculture, fisheries and transport	M	S	A	F	C	T	OM	(€ million)
Austria	0.61	0.22	32	4	63	0	0	0	0	1.427
Belgium	0.34	0.24	65	4	26	0	0	2	2	972
Cyprus	1.48	1.06	35	24	29	0	0	0	12	184
Czech Rep.	0.41	0.19	37	5	47	6	4	0	0	352
Denmark	0.71	0.52	71	2	20	1	0	6	0	1.375
Estonia	0.39	0.09	24	0	76	0	0	0	0	35
Finland	1.66	0.38	22	1	74	0	0	3	0	2.483
France	0.54	0.39	54	7	26	1	10	2	0	8.915
Germany	0.78	0.69	66	4	12	0	18	0	0	17.236
Greece	0.29	0.20	66	3	28	2	0	0	1	473

[98] See http://www.sedesa.com.ar/saldo_fgd.php.
[99] COM (2005) 624 final of 9 December 2005, *State Aid Scoreboard – Autumn 2005 update*.

Country	Total aid as % of national GDP		% of total aid by sector[a]							Total aid
	Excluding railways	Excluding agriculture, fisheries and transport	M	S	A	F	C	T	OM	(€ million)
Hungary	1.26	0.87	63	1	31	0	5	0	0	1.015
Ireland	0.65	0.27	33	8	58	0	0	0	0	951
Italy	0.52	0.40	72	5	16	2	0	6	0	7.037
Latvia	0.39	0.16	25	15	60	0	0	0	0	44
Lithuania	0.68	0.13	16	0	81	1	0	0	3	122
Luxemburg	0.31	0.17	48	8	45	0	0	0	0	78
Malta	3.10	2.71	87	0	13	0	0	0	0	134
Netherlands	0.39	0.18	47	0	45	0	0	8	0	1.813
Poland	1.47	1.01	51	0	31	0	17	0	1	2.873
Portugal	1.09	0.83	13	61	24	1	0	0	2	1.475
Slovenia	0.96	0.53	46	1	45	0	6	0	2	250
Slovakia	0.64	0.63	98	0	2	0	0	0	0	212
Sweden	0.99	0.80	75	4	12	0	0	7	2	2.745
United Kingdom	0.32	0.25	71	0	18	2	1	2	6	5.442
EC-25	0.60	0.44	59	5	23	1	9	2	1	61.617
EC-15	0.57	0.43	59	5	22	1	9	2	1	56.410
10 new M.S.	1.09	0.70	53	2	33	0	11	0	1	5.207

a M: manufacturing; S: services (including tourism, finance, media and cultural services); A: agriculture; F: fisheries; C: coal; T: transport, excluding railways; and OM: other non-manufacturing.

Note: Due to rounding of figures, the percentages of total aid by sector do not generally add up to 100.

Source: COM (2005) 624 final, *State Aid Scoreboard*; and calculations by the WTO Secretariat.

In 2004, around half of EC Member States awarded more than 90% of their state aid for non-sector specific objectives. Excluding allocations to agriculture, fisheries and transport, around 76% of EC state aid (€34.6 billion) was aimed at horizontal objectives (an increase of 7% over the 2000-02 period). The four main objectives were environment and energy savings (25% of total aid), regional economic development (18%), research and development (12%) and medium and small enterprises (12%). During 2002-04, grants were the main instrument of state aid to the manufacturing and services sectors (47.9% of total state aid), followed by tax exemptions (32.4%); guarantees accounted for 10.3%, soft loans represented 5%, tax deferrals 3.1%, and equity participation 1.3%. More than 800 measures were covered by block exemptions relating to state aid to medium and small enterprises, employment, and training.

Australia - WT/TPR/S/178

P. 55, para. 78

The EMDG scheme is administered by Austrade and aims to promote exports by SMEs.[100] In 2004/05, the scheme distributed grants worth $A 123.9 million to 3,277 exporters, among which 77% were small business with annual incomes of $A 5 million or less. Under the scheme, the Government reimburses up to 50% of specified export promotion expenditures above a threshold of $A 15,000. The criteria to obtain grants include: having an annual income of not more than $A 30 million; spending at least $A 15,000 on eligible export promotion during the financial year before the application; and being the owner of the product or service being promoted (some exceptions apply).

[100] Austrade online news on 24 January 2006. Viewed at: http://www.austrade.gov.au/corporate/layout/0,,0_S1-1_CORPXID0054-2_-3_PWB110745194-4_-5_-6_-7_,00.html [4 May 2006].

A local-content requirement was removed in June 2006 as a result of a review (see below).[101] The EMDG also applies to **services**, and intellectual property or know-how that resulted mainly from work in Australia, but excludes legal, migration, and real estate purchasing services.

P. 62, para. 101 and 102

Since its previous Review, Australia has continued to provide assistance to domestic producers, not just in the form of tariff concessions and other tax incentives (sections (2)(ii)(e) and (3)(iv)), but also grants and concessional loans.

Of the $A 4.6 billion in total budgetary assistance provided in 2004/05, budgetary outlays amounted to almost three fifths; the rest involved tax expenditures. Support has focused largely on R&D (42% in 2004/05).[102] Budgetary assistance varies markedly between sectors; the largest proportion is directed to the manufacturing sector. Services accounted for 30% of total budgetary assistance in 2004/05; of the total assistance to services, **property and business services**, **finance and insurance**, and **cultural and recreational services** accounted for 21%, 16%, and 14%, respectively.[103]

P. 89, para. 71

The estimated level of support provided to the services sector through direct financial assistance, tax expenditures, and funding to public-sector institutions has been increasing (Table AIV.3); budgetary outlays aimed at encouraging investment, R&D, and exports have been allocated mainly to property and business services, finance and insurance, cultural and recreational services, and communication services, accounting for 21%, 16%, 14.3%, and 10.7% of total budgetary assistance, respectively.

P. 127, table AIV.3

Table AIV.3
Developments in selected domestic support to services, 2002-05
($A million)

	Type[a]	2002/03	2003/04	2004/05[b]
Electricity, gas & water supply				
Industry-specific measures				
Renewable Energy Commercialization	DFA	9.2	9.2	1.7
Renewable Energy Equity Fund	DFA	2.6	1.0	0.5
General investment measures				
Infrastructure Bonds Scheme	TE	10.4	10.4	10.4

[101] Previously, for a firm to obtain grants under the EMDG scheme, the goods it intended to export needed to be made in Australia with at least 50% Australian content; or, if the goods were made outside Australia, at least 75% of the value of the components used in the making of the goods had to be attributable to goods that met the 50% Australian content rule. Goods that did not meet these requirements could also be eligible if Austrade determined that the Australian input in those goods was sufficient to ensure that Australia derived a significant net benefit from their export.

[102] Industry-specific assistance accounted for 27% of total support and export promotion for 14%. In May 2004, a new assistance package was announced for R&D and related activities, the Backing Australia's Ability (BAA) – Building our Future through Science and Innovation Scheme. It is estimated that the new scheme will cost $A 5.3 billion, which, together with the BAA plan announced in 2001, committed total funding of $A 8.3 billion up to 2011. The package covers assistance for R&D, its commercialization, and related skills development. "Commercialization" here refers to the development of new commercial products, processes, and services resulting from the application of R&D activities (Productivity Commission, 2004).

[103] Productivity Commission (2006e), Table A.4.

	Type[a]	2002/03	2003/04	2004/05[b]
Infrastructure borrowing tax offset scheme	TE	7.7	7.2	2.9
General R&D measures				
Cooperative Research Centres	FI	8.6	7.0	6.7
R&D Start	DFA	5.9	3.2	1.5
R&D tax concession	TE	4.0	4.9	5.2
Other measures				
Greenhouse gas abatement programme	DFA	1.8	7.5	6.7
Total		**56.3**	**52.6**	**38.0**
Construction				
General R&D measures				
Cooperative Research Centres	FI	2.0	2.5	2.5
CSIRO research	FI	22.7	12.8	14.9
R&D tax concession	TE	8.4	10.3	10.8
R&D Tax offset for small companies	DFA	2.2	3.2	4.0
Other measures				
Small business capital gains tax exemption	TE	4.4	4.9	7.3
Total		**45.9**	**39.6**	**42.7**
Wholesale trade				
General export measures				
Export Market Development Grants Scheme	DFA	12.6	12.4	10.2
TRADEX	TE	1.0	0.9	4.8
General R&D measures				
Premium R&D Concession	TE	3.8	6.3	5.9
R&D tax concession	TE	24.6	30.1	31.4
R&D Tax offset for small companies	DFA	5.1	7.2	9.0
Other measures				
Small business capital gains tax exemption	TE	10.6	12.1	17.7
Total		**59.0**	**71.3**	**79.9**
Retail trade				
General R&D measures				
R&D tax concession	TE	4.7	5.8	6.1
R&D Tax offset for small companies	DFA	3.1	4.4	5.5
Other measures				
Small business capital gains tax exemption	TE	19.0	21.5	31.7
Total		**30.1**	**35.1**	**47.2**
Accommodation, cafes & restaurants				
General export measures				
Export Market Development Grants Scheme	DFA	8.0	7.5	4.7
Total		**11.9**	**11.5**	**10.7**
Transport & storage				
General export measures				
Export Market Development Grants Scheme	DFA	8.6	7.6	5.4
TRADEX	TE	3.2	2.7	1.1
General investment measures				
Infrastructure Bonds Scheme	TE	9.6	9.6	9.6
Infrastructure borrowing's tax offset scheme	TE	7.3	11.6	8.4
General R&D measures				
R&D tax concession	TE	3.3	4.1	4.3
Total		**44.7**	**38.7**	**33.0**
Communication services				
General R&D measures				

	Type[a]	2002/03	2003/04	2004/05[b]
Cooperative Research Centres	FI	5.8	5.8	5.7
CSIRO research	FI	21.5	57.2	62.2
ICT Centre of excellence	FI	10.3	11.3	17.2
Innovation Investment Fund	DFA	6.8	2.3	2.0
Premium R&D Concession	TE	2.5	4.1	3.9
R&D Start	DFA	4.6	8.4	10.9
R&D tax concession	TE	15.4	18.8	19.7
R&D Tax offset for small companies	DFA	2.5	3.5	4.4
Other measures				
Small business capital gains tax exemption	TE	6.1	7.0	10.2
Total		**94.3**	**124.7**	**140.3**
Finance & insurance				
General investment measures				
Infrastructure borrowing tax offset scheme	TE	5.0	6.3	3.8
Offshore Banking Unit tax concession	TE	45.0	50.0	75.0
General R&D measures				
Premium R&D Concession	TE	5.8	9.5	9.0
R&D Start	DFA	1.2	3.5	2.4
R&D tax concession	TE	39.4	48.1	50.3
R&D Tax offset for small companies	DFA	2.3	3.3	4.1
Other measures				
Pooled development funds	TE	6.0	6.0	7.0
Small business capital gains tax exemption	TE	14.7	16.6	24.5
Venture capital limited partnerships	TE	-	20.0	25.0
Total		**120.7**	**164.6**	**209.8**
Property & business services				
General export measures				
Export Market Development Grants Scheme	DFA	27.1	27.6	24.9
TRADEX	TE	3.6	2.9	0.6
General R&D measures				
Biotechnology Innovation Fund	DFA	3.7	4.7	3.6
COMET programme	DFA	3.7	2.9	2.3
Cooperative Research Centres	FI	5.6	10.9	13.3
Innovation Investment Fund	DFA	3.3	2.1	4.8
Premium R&D Concession	TE	9.1	14.9	14.1
R&D Start	DFA	20.9	24.6	30.6
R&D tax concession	TE	57.1	69.7	72.9
R&D Tax offset for small companies	DFA	55.7	79.2	98.4
Total		**191.7**	**239.6**	**274.3**
Education				
General export measures				
Export Market Development Grants Scheme	DFA	7.8	8.0	6.6
General R&D measures				
R&D tax concession	TE	1.8	2.2	2.3
R&D Tax offset for small companies	DFA	1.1	1.5	1.9
Other measures				
Small business capital gains tax exemption	TE	5.9	6.7	9.9
Total		**17.3**	**19.4**	**21.7**
Health & community services				

	Type[a]	2002/03	2003/04	2004/05[b]
General R&D measures				
Biotechnology Innovation Fund	DFA	3.2	3.1	2.8
Cooperative Research Centres	FI	7.2	13.6	15.1
Innovation Investment Fund	DFA	-	5.8	3.9
Preseed fund	FI	-	2.5	0.5
R&D Start	DFA	10.6	9.3	11.2
R&D Tax offset for small companies	DFA	1.7	2.4	3.0
Total		**26.9**	**40.0**	**41.6**
Cultural & recreational services				
Industry-specific measures				
Australian Film Commission	DFA	20.5	22.5	48.6
Australian Film Finance Corporation	DFA	57.5	60.5	65.6
Exemption of film tax offset payments	TE	1.0	3.0	15.0
Refundable tax off set for large scale film production[c]	TE	5.0	35.0	35.0
General export measures				
Export Market Development Grants Scheme	DFA	11.3	12.2	11.3
General R&D measures				
Cooperative Research Centres	FI	2.4	4.1	4.7
Total		**102.9**	**142.6**	**187.0**
Government administration & defence		**2.6**	**2.0**	**3.1**
Personal and other services		**2.9**	**3.4**	**4.6**
Unallocated services				
Industry-specific measures				
Building IT Strengths	DFA	24.8	18.2	20.6
General export measures				
Australian Tourist Commission/Tourism Australia[d]	FI	99.9	97.9	138.4
Total		**141.7**	**120.6**	**174.2**
Total outlays		**556.5**	**622.7**	**750.8**
Total tax expenditures		**392.5**	**482.8**	**557.2**
Total budgetary assistance		**949.0**	**1105.5**	**1308.0**

- Nil. Figures may not add to total due to rounding.

a DFA: direct financial assistance; FI: funding to institutions; TE: tax expenditures.
b Estimates are derived primarily from Australian Government budget papers, departmental annual reports and Treasury's 2005 TES.
c Estimate for 2004/05 based on the previous year's funding.
d Funding for the Australian Tourist Commission (ATC) was previously allocated across services industries based on international visitor expenditure data, while other tourism assistance measures were allocated to 'unallocated other'. For the 2004/05 Review, funding for the ATC/Tourism Australia together with other tourism-related assistance has been allocated to 'unallocated services'. The Commission intends to revise its treatment of tourism assistance in the context of 2005/06 Review.

Source: Productivity Commission (2006e), Table A4.

P. 95, para. 94

The universal service regime consists of the universal service obligation (USO) and the digital data service obligation (DDSO). Telstra Corporation Ltd (Telstra) is the universal service provider, although any other service provider can be so designated.[104] Telstra receives a USO and DDSO subsidy, which is determined by the Communications Minister on the advice of ACMA. The subsidy

[104] Telstra is required by the USO to provide standard telephone services, public payphones and prescribed carriage services to all residents of Australia on an equitable basis, wherever they reside or carry on business. The DDSO requires Telstra to provide "reasonable and equitable" access to a digital data service with a data speed broadly equivalent to 64 kbps upon request. The ACMA approves and regulates how Telstra fulfils its USO and DSSO obligations, and decides whether Telstra provides "reasonable and equitable" access to other service providers.

is funded by a levy on all carriers, including Telstra, in proportion to their eligible **telecommunications** revenue.[105]

Canada - WT/TPR/S/179

P. 66, para. 193

As reported by the authorities, the main focus of the Government of Canada's efforts to stimulate economic activity and the competitiveness of the Canadian economy is through tax measures and through supporting innovation, particularly given relatively weak levels of private sector research and development. Canada maintains a number of assistance programmes that include: tax incentives; assistance targeted at research and development; support for regional development; repayable and non-repayable financial contributions; as well as sector-specific programmes in shipbuilding, textiles (Chapter IV(4)), defence, fisheries, and **energy**. Other programmes support cultural priorities related to promoting language, literature, **film, TV**, new media, and music. Various programmes are also operated by provincial governments, and some are cost-shared with the Federal Government. This section focuses on non-agri-food sectors (for agri-food, see Chapter IV(2)).

P. 70, para. 209

Most provinces offer tax incentives to businesses that may take the form of tax credits, tax exemptions or tax holidays, in areas such as the **film and TV industry**, to generate employment or stimulate investment, manufacturing capacity, mineral exploration or to assist SMEs. In addition a number of provinces and territories (e.g. Alberta, Manitoba, New Brunswick, Nunavut, Yukon) offer fuel tax exemptions or rebates for certain commercial activities (Table AIII.5). Most provinces also provide funding for research and development.[106]

P. 166-167, table AIII.5

Table AIII.5
Main provincial and territorial tax credit programmes, 2006

Province	Provincial and territorial tax credit programmes
Newfoundland and Labrador	Non-Refundable Measures Deductible from Basic Tax: Political Contribution Tax Credit; Direct Equity Tax Credit
	Refundable Measures: Research and Development Tax Credit; Film and Video Industry Tax Credit
	Tax Holidays: Economic Diversification and Growth Enterprises Tax Holiday; New Small Business Tax Holiday
Prince Edward Island	Non-Refundable Measures Deductible from Basic Tax: Political Contributions Tax Credit; Manufacturing and Processing Investment Tax Credit
	Refundable Measures: Innovation and Development Tax Credit; Enriched Investment Tax Credit
	Tax Holidays: **Aviation**-Related Business Tax Holiday
Nova Scotia	Non-Refundable Measures Deductible from Basic Tax: Political Contributions Tax Credit
	Refundable Measures: Research and Development Tax Credit; Film Industry Tax Credit
	Tax Holidays: New Small Business Tax Holiday
New Brunswick	Non-Refundable Measures Deductible from Basic Tax: Political Contributions Tax Credit
	Refundable Measures: Research and Development Tax Credit; New Brunswick Film Tax Credit
Manitoba	Non-Refundable Measures Deductible from Basic Tax: Research and Development Tax Credit; Manufacturing Investment Tax Credit; Odour Control Tax Credit
	Refundable Measures: Film and Video Production Tax Credit; Co-operative Education Tax Credit; Odour Control Tax Credit – Agricultural Corporations
Saskatchewan	Non-Refundable Measures Deductible from Basic Tax: Royalty Tax Rebate; Research and

[105] Productivity Commission (2006a). In 2004/05, USO costs were set at $A 211 million, although Telstra considered this to be less than its actual costs.

[106] Industry Canada online information. Viewed at: http://strategis.ic.gc.ca/epic/internet/inrti-rti.nsf/en/h_te02391e.html.

Province	Provincial and territorial tax credit programmes
	Development Tax Credit; Political Contributions Tax Credit
	Refundable Measures: Film Employment Tax Credit; Manufacturing and Processing Investment Tax Credit
British Colombia	Political Contributions Tax Credit; Logging Tax Credit; Small Business Venture Capital Tax Credit; International Financial Activity Tax Refund
	Refundable Measures: **Film and Television** Credit; Production Services Tax Credit; Mineral Exploration Tax Credit; Scientific Research and Experimental Development Tax Credit; Book Publishing Tax Credit; Digital Animation or Visual Effects Tax Credit
Yukon	Non-Refundable Measures Deductible from Basic Tax: Political Contribution Tax Credit
	Refundable Measures: Mineral Exploration Tax Credit; Research and Development Tax Credit
Northwest Territories	Non-Refundable Measures Deductible from Basic Tax: Political Contributions Tax Credit; Risk Capital Investment Tax Credit
Nunavut	Non-Refundable Measures Deductible from Basic Tax: Political Contributions Tax Credit; Risk Capital Investment Tax Credit
Quebec	Non-Refundable Measures Deductible from Basic Tax: Logging Tax Credit; Tax Credit for Hiring Employees Specializing in Financial Derivatives
	Refundable Measures: Research and Development Tax Credit; Taxi Driver Tax Credit; Forest Producers Real Estate Tax Refund; Film and Television Production Tax Credit, Design Tax Credit; On-the-job Training Tax Credit; Shipbuilders Tax Credit; Production of Multimedia Titles Tax Credit; Tip Reporting Tax Credit; Film Dubbing Tax Credit; Film Production Services Tax Credit; Computer Animation and Special Effects Tax Credit; Technological Adaptation Services Tax Credit; Production of Sound Recordings Tax Credit; Valée de l'aluminium Tax Credit; Gaspésie-Îles-de-la-Madeleine and Certain Maritime Regions Tax Credit; Book Publishing Tax Credit; Tax Credit for Processing Activities in Resource Regions; Biotechnology Development Centres Tax Credits; Resources Tax Credit; Tax Credit for Major Employment-generating Projects; Production of Ethanol Tax Credit; Tax Credit for Construction of Public Access Roads and Bridges in Forest Areas; Tax Credit for the Acquisition of Pig Manure Treatment Facilities
	Tax Holidays: International **Financial Centres** Tax Holiday, Small and Medium-Size Manufacturing Enterprises in Remote Resource Regions Tax Holiday; Tax Holiday for the Development of Stock Exchanges and Security Clearing-House Corporations in Montréal
	Deductions To Arrive at Taxable Income: Réseau d'investissement social du Quebec Tax Deduction, Tax Relief for Employee Transit Passes
Ontario	Non-Refundable Measures Deductible from Basic Tax: Small Business Tax Credit for Credit Unions
	Refundable Measures: Qualifying Environmental Trust Tax Credit; Innovation Tax Credit; Film and Television Tax Credit; Co-operative Education Tax Credit; Business Research Institute Tax Credit; Book publishing Tax Credit; Computer Animation and Special Effects Tax Credit; Production Services Tax Credit; Interactive Digital Media Tax Credit; Sound Recording Tax Credit; Apprenticeship Training Tax Credit
	Deductions to Arrive at Taxable Income: Political Contributions Deduction; Current Cost Adjustment for Pollution Control Equipment; New Technology Tax Deduction
Alberta	Non-Refundable Measures Deductible from Basic Tax: Royalty Tax Deduction; Political Contributions Tax Credit

Source: Finance Canada