WORLD TRADE ORGANIZATION

G/SCM/N/284/VCT
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Committee on Subsidies and Countervailing Measures

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SUBSIDIES

NEW AND FULL NOTIFICATION PURSUANT TO ARTICLE XVI:1 OF THE GATT 1994 AND ARTICLE 25 OF THE AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES

TRANSPARENCY NOTIFICATION CONCERNING THE EXTENSIONS PROVIDED FOR IN ARTICLE 27.4 OF THE AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES OF THE TRANSITION PERIOD FOR THE ELIMINATION OF EXPORT SUBSIDIES, GRANTED PURSUANT TO THE PROCEDURES IN THE GENERAL COUNCIL DECISION WT/L/691

SAINT VINCENT AND THE GRENADINES

The following communication, dated 28 September 2015, is being circulated at the request of the Delegation of Saint Vincent and the Grenadines.

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1. Title of the subsidy programme, if relevant, or brief description or identification to be provided

Fiscal Incentives Act No. 5 of 1982 amended by Act 20 of 1987 and Act 16 of 1991.

This is an Act to provide incentives for industry at development.

2. Period covered by the notification

As of 1 January 2014 to 31 December 2014.

3. Policy objective and/or purpose of the subsidy

The objectives and/or purpose of the subsidy are to stimulate, international competitiveness, support investment, economic activity and promote diversification in traditional and non – traditional products.

4. Background and authority for the subsidy (including identification of the legislation under which it is granted

The Fiscal Incentives program finds it legal basis in the Fiscal Incentives No. 5 of 1982, amended by Act No. 20 of 1987 and Act No. 16 of 1991. This was passed to give effect to an agreement on the harmonization of fiscal incentives to industry among CARICOM countries.

Authority
- Fiscal Incentives Act No.5 of 1982 amended by
- Act 20 of 1987
- Act 16 of 1991

5. Form of subsidy (i.e., Grant. Loan, tax concession. (etc.)

The Fiscal Incentives Act provides for tax concession by way of the following:

- Exemption of import duties, consumption taxes on plant, equipment, Machinery, spare parts, raw materials, or components thereof;

- Exemption of income tax,

- Exemption of income tax on export profits by way of tax credits.

6. To whom and how the subsidy is provided (whether to producers, exporters or others), through what mechanisms, whether it is fixed sum or fluctuating amount per unit and, if the latter, how the amount is determined)

The main beneficiaries of the Fiscal Incentives scheme are manufacturing and agro-processing enterprises. This incentive scheme is managed and administered by the Ministry of Agriculture, Fisheries and Industry. Applications for the incentive benefits under this scheme are submitted to the aforementioned Ministry, which recommends to Cabinet the level and type of concession to be granted.

The Fiscal Incentives Act No.5 of 1982, as amended by Act No.20 of 1987 and Act. No.16 of 1991, allows for the granting of tax holidays for the manufacture of approved products by approved enterprises and can be classified into five (5) categories as follows:

I. **Group I Enterprises**, up to 15 years, in which local value added is 50% or more of sales;
II. **Group II Enterprises**, up to 12 years, in which local value added is between 25% and 50%;
III. **Group 111 Enterprise**, up to 10 years, in which local value added is between 10% and 25%
IV. **Enclave Enterprises**, up to 15 years, in which production is exclusively for export; and
V. **Capital Intensive Enterprises**, up to 15 years, in there is an investment of not less than US $25 million.

The Act provides for income tax relief in the form of tax credits to enterprises once the Tax holiday period has expired. This is contingent on exportation and is granted on Export profits of an enterprise accruing from its exports of the approved products. Relief is provided for non – traditional exports to all countries; however, in the case of exports to Guyana, Jamaica and Trinidad and Tobago, the period of relief is only for five years immediately following the expiration of the tax holiday period. Relief is granted if export profits amount to ten per cent or more of the entire profit of the enterprise in accordance with the following-

Amount of export profits expressed as a percentage of the entire profits	**Maximum percentage of tax relief**
10% or more but less than 21%	25%
21% or more but less than 41%	35%
41% or more but less than 61%	45%
61% or more	50%

Export profits are determined by the following formula:

$(E*P)/S$
Where

E represents proceeds from export sales
P represents profits made by the enterprise and
S represents the proceeds of all sales

7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy (indicative, if possible, the average subsidy per unit in the previous year). Where provision of the per unit subsidy information (for the year covered by the notification, for the previous year. or both) is not possible, a full explanation

The level of subsidies granted under the Fiscal Incentives Act in 2014 was $8,678,576.01

8. Duration of the subsidy and/or any other time limits attached to it including date of inception/commencement

Please see "6" above.

9. Statistical data permitting an assessment of the trade effects of the subsidy

The Specific nature and scope of such statistics is left to the judgment of the Members. To the extent possible, relevant and/or determinable, however it is desirable that such information includes statistics of production, consumption, imports and subsidized product(s) or sector(s).

a. For the three (3) most recent years for which statistics are available;

b. For a previous representative year, which, where possible and meaningful, should be the latest year preceding the introduction of the subsidy or preceding the last major change in the subsidy.

Year	Total Imports (EC$)	Total Exports (EC$)	Total Re-Exports (EC$)
2013	773,086,822	112,298,123	15,913,231
2014	997,631,280	100,379,746	19,307,303

Year	Total Exports by Firms Benefiting From Fiscal Incentives (EC$)
2013	81,200,998
2014	32,845,255

Please note that these figures represent total exports and imports for the period.

Action taken to inform beneficiaries that said export subsidies will not be provided after 2015

- Current beneficiaries were informed of the phasing out of the export subsidy programme. Beneficiaries were also informed of the required commitment necessary to have the programme compliant with international trade obligations, along with all the accompanying changes to the current legislation.

- Saint Vincent and the Grenadines is committed to the process of the elimination of the export subsidy programme. As such it is envisaged that by December 2015 new legislative amendments should be in place which would remove the non-compliant measures within the existing Fiscal Incentive Act and the Company's Act. The proposed legislation is intended to streamline the administration of incentives programmes, provide equal treatment of local and foreign investors, increase transparency and establish a monitoring mechanism for assessing the application and effectiveness of incentive scheme.

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