



9 December 2021

(21-9228)

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**Committee on Subsidies and
Countervailing Measures**

Original: Spanish

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

HONDURAS

The following communication, dated and received on 6 December 2021, is being circulated at the request of the delegation of Honduras.

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

Temporary Import Regime (RIT), and Free Zones.

2. Period covered by the notification

2020

3. Policy objective and/or purpose of the subsidy

These incentives are designed to promote exports, attract investment, stimulate production and competitiveness, support human development and create jobs.

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

The Temporary Import Regime was established for the purpose of strengthening the Honduran economy, boosting domestic production and increasing exports, promoting employment in combination with other domestic and foreign resources, stimulating investment and creating mechanisms for the development of export industries and increasing foreign trade by fostering export diversification.

This programme has its legal basis in Executive Decree No. 37 of 20 December 1984, as amended by Legislative Decree No. 190-86 of 31 October 1986; Legislative Decree No. 8-85 of 7 February 1985 and Decree No. 135-94 of 28 October 1994, which rescinds the exemption from corporate tax for enterprises covered by the Regime as from that date; Decree No. 113-2011 of 8 July 2011 amending Articles 1, 2 and 4 of the Law on the Temporary Import Regime; Decree No. 261-2011 amending Article 30 of Decree No. 113-2011, specifically Articles 1, 2 and 4 of the Law on the Temporary Import Regime; Decree No. 124-2013 amending Article 31 of Decree No. 113-2011 containing the Law on Efficiency and Public Expenditure, which concerns the authorization of enterprises eligible for benefits under special tax regimes; Decree No. 278-2013 containing the Law on Fiscal Consolidation, Control of Exemptions and Anti-Evasion Measures; Agreement No. 704-2017 approving the Regulations on the Customs Procedure for the Re-Export of Goods under the Temporary Import Regime; and Agreement No. 120-2019 establishing the list of raw materials and inputs that are necessary to produce goods or services as an instrument for

resolving applications for exemption from Sales Tax on local purchases by beneficiaries of the Temporary Import Regime.

The Law on Free Zones was established in order to take advantage of the geographical location of Honduras in the Central American and Caribbean region, with a view to providing facilities for industry, trade, export and re-export of goods and/or services by domestic and foreign enterprises through special regulations for the development of their activities, which are to be subject to the provisions of the Law and its Regulations.

It has its legal basis in Decree No. 356 of 19 July 1976, as amended by Decree No. 131-98 of 20 May 1998, whereby the title of the law setting up the Free Zone of Puerto Cortés was changed to the Law on Free Zones and the benefits and provisions of the Law were extended to the entire national territory. The last amendment to the Law on Free Zones was made by Decree No. 8-2020 of 14 February 2020, which amends Articles 1, 2, 3, 5, 12 and 16, adds Articles 2-A, 2-B, 4-A, 4-B, 4-C, 5-A, 5-B, 9-A, 10-A, 10-B, 10-C, 15-A and 15-B, and also amends Article 31 of Decree No. 113-2011 containing the Law on Efficiency in Revenue and Public Expenditure. Agreement No. 41-2020, published in the Official Journal, *La Gaceta*, on 10 May 2020, approves the Regulations of the Law on Free Zones.

Decree No. 75-2021 of 10 September 2021 interprets the second paragraph of Article 5 of Decree No. 8-2020 of 11 February 2020, whereby any unresolved processes or applications to any government body that were initiated prior to the entry into force of Decree No. 75-2021 must be processed in accordance with the provisions of Legislative Decree No. 8-2020, so as to ensure the enjoyment of the benefits contained therein.

5. Form of the subsidy (i.e. grant, loan, tax concession, etc.)

The only benefits granted under the special regimes are exemptions from and suspension (in the case of the Temporary Import Regime) of import duties, taxes and internal charges.

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

Temporary Import Regime

The beneficiaries of the Temporary Import Regime are natural and legal persons eligible under the Regime.

Benefits under the Law:

Producers/exporters duly authorized under this Regime are not subject, when importing goods, to the payment of customs duties or any other taxes or charges, including the general sales tax on imports.

Free Zones

Free zone benefits are extended to all enterprises operating under the Regime throughout the national territory. Enterprises with domestic or foreign capital, dedicated to commercial and industrial activities of exporting or re-exporting international services through electronic services and services and related or complementary activities or any other activity not prohibited by the Law, may be established and operate in free zones.

Benefits under the Law:

Goods that have been brought into the free zone are exempt from customs duties, charges, surcharges and other fiscal and municipal taxes and levies at the end of the fiscal year. Similarly, enterprises established in this zone are exempt from corporate tax on operating profits at the end of the fiscal year.

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

The nature of the programmes makes any calculation of the amount of the subsidy per unit impossible. The information requested can therefore not be provided.

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

Enterprises operating in free zones are eligible for tax benefits and incentives so long as they covered by and operating under the aforementioned Regime, with the exception of Income Tax and related tax benefits, which are granted for a period of 15 years and may be extended, upon termination, for another 10 years.

The tax benefits currently granted to enterprises under the Temporary Import Regime may be enjoyed for a period of up to 12 years.

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 notifying Member. To the extent possible, relevant and/or determinable, however, it is desirable that such information include statistics of production, consumption, imports and exports of the subsidized product(s) or sector(s):

- a. for the three 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.

JOBS GENERATED BY ENTERPRISES UNDER SPECIAL REGIMES**2020**

YEAR	NO. OF JOBS	
	TEMPORARY IMPORT REGIME	FREE ZONES
2020	67,847	139,555

MACHINERY AND EQUIPMENT, RAW MATERIAL AND INPUTS IMPORTED BY ENTERPRISES UNDER SPECIAL REGIMES**2020**

YEAR	TOTAL IMPORTS	
	TEMPORARY IMPORT REGIME	FREE ZONES
2020	13,521,393,883.00	69,207,734,215.00

EXPORTS, RE-EXPORTS AND SERVICES OF ENTERPRISES IN FREE ZONES**2020**

YEAR	EXPORTS	RE-EXPORTS	SERVICES
2020	121,468,045,315.00	9,882,231,701.00	11,973,794,801.00

EXPORTS, TRANSFERS, COMPLEMENTARITY AND SUBCONTRACTING BY ENTERPRISES UNDER THE TEMPORARY IMPORT REGIME**2020**

YEAR	EXPORTS	TRANSFERS	COMPLEMENTARITY	SUBCONTRACTING
2020	35,583,150,823.00	4,592,598,620.00	1,082,602,275.00	831,204,508.00

Source: Directorate-General of Productive Sectors, Secretary of State for Economic Development.