SUBSIDIES

New and Full Notification Pursuant to Article XVI:I 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

St. Kitts and Nevis

The following communication, dated 10 July 2018, is being circulated at the request of the Delegation of St. Kitts and Nevis.

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

1. Title of the programme for which extension is requested pursuant to procedures in G/SCM/39

The Fiscal Incentives Act No. 17 of 1974. This is an Act to provide incentives to industry.

2. Period covered by the notification

The programme description is as of 30 May 2018 and is identical to that as of 1 September 2001.

3. Policy objective and/or purpose of the subsidy

The objective of this programme is to stimulate export performance, support investment, promote economic activity, and promote diversification in traditional and non-traditional products.

4. Background and authority for the subsidy

**Background**

The Government of St. Kitts and Nevis considers that appropriate conditions for encouraging foreign direct investment are to be promoted in order to ensure the economy remains in a viable position.

**Authority**

Fiscal Incentives Act (St. Kitts-Nevis-Anguilla), No. 17 of 1974.

5. Form of the Subsidy

The subsidy takes the form of a tax exemption.

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

The main beneficiaries of the fiscal incentives scheme are manufacturing and agro-processing enterprises. The incentive scheme is managed by the Ministry of International Trade, Industry, Commerce and Consumer Affairs. Applications for incentive benefits are submitted to the aforementioned Ministry, which recommends to Cabinet the level and type of concessions to be granted.

The Fiscal Incentives Act allows for the granting of a corporate tax holiday of up to fifteen (15) years, for the manufacture of approved products by approved enterprises. The duration of these concessions is in accordance with the local value added generated. In this respect, the Act classifies these approved enterprises as follows:

*Group I* enterprises, where the local value added is 50% or more of sales, may enjoy a tax holiday of up to 15 years;

*Group II* enterprises, where the local value added is between 25% and 49% of sales, may enjoy a tax holiday of up to 12 years;

*Group III* enterprises, where the local value added is between 10% and 24% of sales, may enjoy a tax holiday of up to 10 years;

*Enclave enterprises*, where production is exclusively for export, may enjoy a tax holiday of up to 15 years.

Where an approved enterprise is engaged in a highly capital intensive industry it may receive some benefit for a period of up to 15 years.

The Act also grants import duty exemptions for machinery, equipment and spare parts, building materials, raw materials and others, as appropriate to be used in eligible enterprises.

The Fiscal Incentives Act No. 17 of 1974 further provides for corporate tax relief under certain circumstances once the tax holiday period has expired. The relief is contingent on export performance. It is granted on the export profits of an enterprise accruing from the export of its approved product(s). 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 of only five (5) years immediately following the expiration of the tax holiday period.

(Schedule II part two of the Act attached explains the method of calculating export allowance)

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

Given the nature and coverage of the programme there are no statistics available which reflect the amount of the subsidy per unit. Further, there is no provision in our annual budget to determine the amount of funds allocated to this form of benefit provided for approved enterprises because of approved assistance is revenue foregone.

8. Duration of the subsidy

The duration of the subsidy as currently applied is subject to St. Kitts and Nevis' rights and obligations under the WTO Agreements and in particular, the SCM Agreement.

9. Statistics on the impact of the programme

The following table illustrates the total value of St. Kitts and Nevis' foreign trade with world partners on all commodities during the period 2000-2017.

**Value (EC$ millions) of St. Kitts-Nevis' Foreign Trade with World Partners for the period 2000-2017**

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Imports | Exports | Re-Exports |
| 2000 | 529.1 | 78.8 | 9.7 |
| 2001 | 510.5 | 77.5 | 6.3 |
| 2002 | 544.6 | 94.8 | 10.6 |
| 2003 | 538.9 | 101.8 | 9.5 |
| 2004 | 493.4 | 101.1 | 8.2 |
| 2005 | 568.3 | 81.0 | 12.5 |
| 2006 | 673.7 | 95.7 | 11.7 |
| 2007 | 737.3 | 85.5 | 7.3 |
| 2008 | 877.0 | 116.1 | 23.6 |
| 2009 | 739.7 | 83.2 | 31.3 |
| 2010 | 731.7 | 71.9 | 16.6 |
| 2011 | 669.7 | 91.8 | 31.8 |
| 2012 | 754.2 | 109.0 | 28.6 |
| 2013 | 814.9 | 94.1 | 28.1 |
| 2014 | 841.5 | 92.1 | 29.5 |
| 2015 | 1644.5 | 118.1 | 16.2 |
| 2016 | 951.1 | 91.2 | 11.2 |
| 2017 | 748.5 | 86.1 | 7.8 |

Source St. Kitts & Nevis Customs & Excise Department

10. Transparency Provisions

As in previous years, St. Kitts and Nevis continued its policy of adopting a sub-regional approach to amending the legislation to make it compatible with the Agreement on Subsidies and Countervailing Measures. This is will be instrumental for the continued development of harmonized policies under the Economic Union among the members of the Organisation of Eastern Caribbean States (OECS).

The objective of the work being undertaken in this regard is to reform the areas of the legislation that are incompatible with the SCM Agreement.

Beneficiaries of the subsidy are currently working with the Ministry of International Trade, Industry, Commerce & Consumer Affairs and the Ministry of Legal Affairs to reform the Fiscal Incentives Act.

ATTACHMENT I

**SCHEDULE I**

MEMBER STATES

(a) Antigua Jamaica

Barbados Montserrat

Belize St. Kitts/Nevis/Anguilla

Dominica St. Lucia

Grenada St. Vincent

Guyana Trinidad & Tobago

(b) any other State of the Caribbean region that becomes a member of the Common Market.

**SCHEDULE II**

PART I

EXPORTS TO THE FOLLOWING TERRITORIES ARE   
NOT ELIGIBLE FOR EXPORT ALLOWANCE

(c) Antigua Jamaica

Barbados Montserrat

Belize St. Lucia

Dominica St. Vincent

PART II

METHOD OF CALCULATING EXPORT ALLOWANCE

1. An export allowance set off for the purposes of section 16 shall be calculated as follows:

Export profits as a percentage Rebate of income tax as a

of total profits percentage of income tax on

export profits

10 but under 21 25%

21 but under 41 35%

41 but under 61 45%

61 and over 50%

2. for the purposes of calculation –

(a) export profits as a percentage of total profits "shall be deemed to be export sales as a percentage of total sales".

(b) profits attributable to exports shall be taken to be the amount resulting from the formula ***p x e*** where –

***s***

(i) ***"p"*** represents the chargeable profit of a company for its year of income

(ii) ***"e"*** represents the proceeds of sales (ex-factory) of the output of a company exported during its year of income;

(iii) ***"s"*** represents the proceeds of sales (ex-factory) of the total output of the company during its year of income.

3. In computing the proceeds of all sales for the year of income there shall be deducted any excise duty paid on the goods sold during that year.

SCHEDULE III

TAX HOLIDAY PERIODS

Classification of

Approved Enterprise Tax Holiday Period

Group Years

Group I Enterprise 15

Group II Enterprise 12

Group III Enterprise 10

Enclave Enterprise 15

W.F. Glasford

*Speaker*

Passed in the House of Assembly this 17th day of April, 1974.

E. JAMES FLEMING

*Ag. Clerk of the House of Assembly.*

***\_\_\_\_\_\_\_\_\_\_***