

SUBSIDIES

Questions from the UNITED STATES Regarding
the New and Full Notification of CHILE¹

The following communication, dated 19 July 2004, is being circulated at the request of the Delegation of the United States.

The following are questions regarding the notification of Chile pursuant to Article XVI:I of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures, in document G/SCM/N/95/CHL.

I. TAX CREDIT FOR INVESTMENT IN THE PROVINCES OF ARICA AND PARINACOTA (REGION I)

Besides the tourist industry, what other industries benefit from this programme?

II. EXEMPTION FROM FIRST-CATEGORY TAX UNDER THE INCOME TAX LAW ON EARNINGS

1. What are the typical requirements established by the Ministry of Finance and the Ministry of Economic Affairs? Are companies located in the free zones required, on a *de jure* or *de facto* basis, to export or use domestic over imported goods (*e.g.*, are there local content/domestic value-added requirements)?

2. Are all companies located in free zones exempt from "first-category taxes"?

3. What is the normal length of time between the due date for the first-category tax and payment of the second-category tax?

4. What other benefits are provided to companies in a free zone?

5. What is the legal status of the companies located in the free zones? Do they have to be incorporated in accordance to Chilean law?

6. It is noted that in document G/SCM/Q2/CHL/16, Chile states that "The free-trade zones enjoy, extraterritoriality, that is to say, goods are assumed to be abroad and are therefore tax-exempt

¹ G/SCM/N/95/CHL

unless they enter the rest of the national territory". Is it Chile's view that companies located in its free trade zones are exempt from the normal disciplines of the Subsidies Agreement, such as specific company income tax benefits and other normally actionable subsidies, including prohibited subsidies under Article 3? If so, please explain the legal basis in the Subsidies Agreement or other WTO agreement for this exemption.

III. SIMPLIFIED SYSTEM OF REFUNDS FOR MINOR EXPORTS

1. Is any export product eligible for this refund?
 2. Why must qualifying exports have at least 50 per cent imported inputs?
 3. How was the three percent figure established? What is the link between the amount of the refund and the amount of duties paid on imported products? How was the establishment of this figure consistent with the requirements of the Subsidies Agreement?
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