

WORLD TRADE ORGANIZATION

RESTRICTED

G/SCM/Q2/PAN/6

30 March 1999

(99-1256)

**Committee on Subsidies
and Countervailing Measures**

Original: Spanish

SUBSIDIES

Replies to questions posed by the EUROPEAN COMMUNITIES¹ regarding the New and Full Notification of PANAMA²

The following communication, dated 23 March 1999, has been received from the Permanent Mission of Panama.

Panama submitted on 16 November 1998 its new and full notification of subsidy programme to the WTO pursuant to Article XVI:1 GATT 1994 and Article 25 of the WTO Subsidies Agreement. In this respect, the Community requests further clarification on a number of programmes which appear to be specific and were not included in the notification.

Q1. Fiscal incentives for companies located in the Colon Free Trade Zone. The benefits consist of complete exemption from taxation on imports and re-exports. There are no taxes on the export of capital or the payment of dividends. In addition, there are reduced income tax rates on earnings from re-export sales. Furthermore, firms located in the CFZ are exempt from import duties as well as from guarantees.

Reply

Q2. Benefits for companies located in Export Processing Zones.

Pursuant to Law 25 (passed on 30 November 1992) companies located in EPZs are exempt from taxes, duties and other charges related to the importation of machinery, equipment, raw materials, semi-processed goods and other materials such as packaging, fuel and lubricants used in the manufacturing process. In addition, an exemption is granted from income tax on profits arising from exports, and exemption from export sales taxes, as well as from taxes on capital and assets of the export industry.

Reply

Q3. Petroleum Export Zones

The Government of Panama enacted Decree No. 29 (Executive Decree) dated 14 July 1992, allowing the creation of Petroleum Export Zones (PEZ) in specially-designated areas in

¹ G/SCM/Q2/1

² G/SCM/N/38/PAN

Panama. Decree No. 29 allows any foreign or national company to establish operations in a PEZ to produce, refine and export petroleum products. Companies operating out of these PEZs are exempt of any municipal or federal taxes.

Reply
