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Committee on Subsidies and Countervailing Measures

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SUBSIDIES

Response from SLOVENIA to a Request from the EUROPEAN COMMUNITY¹ Pursuant to Article 25.10 of the Agreement

The following communication, dated 14 November 1996, has been received from the Permanent Mission of Slovenia.

Slovenia is herewith providing additional information to its notification of subsidies in accordance with Article 25.2 of the Subsidies Agreement (document G/SCM/N/3/SVN, of 22 October 1996).

1. Subsidization of social security contributions for exporters

Budget expenses under this budget item were paid only in 1995. The 1995 measure was a compromise stemming from coalition agreements.

The actual expenses in 1995 were SIT 4,994.5 million (US\$1 = SIT 130).

The measure was intended as extraordinary support to industrial enterprises in which the share of exported production exceeded 50 per cent (net exporting industrial companies). It was intended as a corrective measure to boost lagging competitiveness and liquidity problems. The measure was not product specific. The main objective was the retention of existing levels of employment. The measure was generally available to companies meeting the basic criteria. It was applied in the form of partial reimbursement of paid social fund contributions for a limited period.

2. Interest payments on bank rehabilitation

Total budgetary expenses in 1995 were SIT 14,394.3 million.

After the breakup of the former federal state, major commercial banks in Slovenia were exposed to a very specific and unprecedented situation characterized by considerable financial difficulties which threatened a collapse of the banking and financial system in the country. This extraordinary situation prompted the Government to provide the banks with assistance through an agency for the rehabilitation of banks until such a time that they may operate independently in the financial markets and begin to turn a profit from their normal commercial operations.

¹G/SCM/Q2/SVN/1.

The relief was provided through issues of government securities for which the Government undertook to pay interest upon maturity of these "rehabilitation" bonds.

3. Subsidization of the restructuring of the enterprise sector on the basis of issues of government bonds

Support measures for the restructuring of enterprises are already covered by Slovenia's subsidy notification.

Government securities issued for the restructuring of enterprises were a form of financing programmes in specific areas of assistance:

- restructuring of coal mines;
- restructuring of steel mills;
- start-up costs and training for small and medium businesses;
- financing of technology centres and parks.

The aggregate amount under this title of assistance was SIT 10,305 million in 1995. The broken down values are indicated in Slovenia's subsidy notification related to specified programmes.

4. Government guarantees for enterprises for domestic and foreign loans

Amount of budgetary expenses under this title: SIT 904.9 million.

Governmental policies and criteria for the employment of this form of assistance to enterprises are restrictive. The measure was available to large industrial enterprises with liquidity problems that needed government loan guarantees in order to obtain commercial loans needed for restructuring purposes.

5. Capital transfers from the state budget to enterprises

Amount of transfers in 1995: SIT 3,284.2 million.

This was one specific form of aid to labour-intensive companies and companies in economically less developed regions or to companies of particular economic importance for the national economy. As a form of subsidy it is mentioned in the subsidies notification of Slovenia. Such support would be provided on a case by case basis and therefore it was not a generally available support programme. This type of measure is used to offset tax and social contribution liabilities by conversion of these liabilities into state-owned equity.

6. Deferrals of taxes and social security contributions granted to particular categories of enterprises

The Slovenian Government had significant recourse to this form of state aid in the period of 1991 to 1994, when a large number of enterprises needed assistance to adapt to the circumstances of the break-up of the former federal state and the significantly reduced domestic market. However, this measure has decreased in importance in the past two years. In 1994 there was a series of laws targeting specific groups of companies for deferral of tax and social contributions payments. These were labour-intensive and had liquidity problems. In case a company came into receivership the liabilities were written off.

The total amount of postponed tax and social security contributions in 1994 was estimated at SIT 4,900 million.

7. Export promotion programme operated by the Ministry of Economic Relations and Development and the Slovene Export Corporation

The activities of the SEC are covered by the subsidies notification.

The export promotion programme is operated by the Export Promotion and Foreign Investment Agency. It spent SIT 127 million in 1995 for cofinancing of participation of companies in trade fairs abroad and for printing promotional materials and advertising. In 1996 a cost-sharing scheme for marketing activities (expenses: SIT 60 million) was introduced.

8. Corporate income tax deductions for foreign investors under the Foreign Investment Law

Profit tax deductions are regulated by the Law on Taxation of Profits (RS No. 72/93). In the Law there is no differentiation between foreign investment companies and domestic companies. All companies, regardless of the origin of capital, benefit, under equal conditions, on the basis of the Law. The profit tax deductions are:

- 20 per cent reduction of tax on investment into tangible and long-term intangible assets (with the exception of motor vehicles), provided that the ownership of intangibles does not change in three years;
- 10 per cent reduction on the profit tax base value for investments into business reserves if maintained for a minimum of four years;
- 30 per cent tax reduction on salaries for 12 months for new employment, if such employment is maintained for at least two years.

There are no other tax incentives. The current rate of profit tax is 25 per cent on net income.