

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

JAMAICA

The following communication, dated 2 October 2003, has been received from the Permanent Mission of Jamaica.

Attached is Jamaica's notification covering the period 2000 - 2003. This notification is made taking account of Article 25.7 of the Agreement on Subsidies and Countervailing Measures which states that "Members recognize that notification of a measure does not prejudice either its legal status under GATT 1994 and this Agreement, the effects under this Agreement, or the nature of the measure itself".

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I. MANUFACTURING

1. Title of subsidy

Manufacturing incentives.

2. Period covered by the notification

2000 - 2003.

3. Policy and objective and/or purpose of the subsidy

To improve the productivity and competitiveness of the manufacturing sector by providing a supporting framework geared to increase investment, growth and the modernization of the sector.

4. Background and authority of the subsidy

Incentives are provided under the authority of the following Acts/Programmes and are administered by the Ministry of Finance and Planning, the Ministry of Industry, Commerce and Technology, the Income Tax Department, JAMPRO and the Customs Department.

- Export Industry Encouragement Act
- Jamaica Export Free Zones Act
- Income Tax Act - Accelerated Depreciation Programme
- Customs Act
- Modernization of Industry Programme
- Industrial Incentives (Factory Construction) Act

In addition, concessionary loans are provided to exporters and manufacturers by the Export-Import Bank (EXIM), and the National Development Bank (now the Development Bank of Jamaica).

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

Income tax and import duty relief and concessionary loans.

6. To whom and how is the subsidy provided

- Under the Export Industry Encouragement Act, manufacturing companies exporting to non-CARICOM markets are entitled to income tax relief on profits as well as duty-free importation of capital goods and raw material for use in the approved manufacturing activity.
- Under the Jamaica Export Free Zones Act approved export entities are entitled to tax relief on profits and duty free importation of capital goods and raw material for use in the approved activities.
- The Income Tax Act entitles manufacturing firms to a hundred per cent (100 per cent) tax write-off over two (2) years on machinery and equipment.
- Under the Modernization of the Industry Programme administered by JAMPRO, manufacturing firms registered under the programme are exempt from the payment of

General Consumption Tax (GCT) on imported machinery and equipment for the modernization/retooling of factories.

- Concessionary loans are available to manufacturers under programmes administered by the National Development Bank (now the Development Bank of Jamaica) and the EXIM Bank.
- Under the Customs Act, imports of non-competing raw materials and capital goods are subject to tax and duty free concessions. A high proportion if not all capital items and the bulk of raw materials do not attract customs duties across the board. The impact of subsidies is greatly reduced on all imports.
- The Industrial Incentives (Factory Construction) Act grants exemption from income tax on earnings from factory leasing, or from profits on their sale, as well as relief from import duties for items not available locally, provided that the factories are leased or sold to manufacturers who operate under the Export Industry Encouragement Act.

7. Subsidy per unit, or in cases where it is not possible, the total amount or the annual amount budgeted for that subsidy

Information of subsidy unit is not available.

8. Duration of a subsidy and/or any other time limits attached to it

Traditionally, incentives, under the Export Industry Encouragement Act were available for a period of up to ten (10) years. Pursuant to World Trade Organization (WTO) obligations, incentives granted to approved manufacturers under this regime will be phased out by the year 2003.

Incentives granted to approved entities under the Jamaica Export Free Zones Act are for an indefinite period.

Incentives under the Industrial (Factory Construction) Act are available for up to ten (10) years.

A two-year period is allowed under the Income Tax Act - Accelerated Depreciation Programme for the write-off of machinery imported for the upgrading of plants and equipment.

Under the Modernization of Industry Programme, relief is granted from General Consumption Tax (GCT) and covers all manufacturing industries and tourism.

There is no specified time-limit for the incentives provided under the General Consumption and Customs Acts.

9. Statistical data permitting an assessment of the trade effects of a subsidy

Information on the trade effect of the subsidy is not available.

II. MINING AND INDUSTRIAL MINERALS

1. Title of subsidy

Support for the Mining and Industrials Minerals Industry.

2. Period covered by the notification

2000 - 2003.

3. Policy and objective and/or purpose of the subsidy

To encourage investment and growth in the sector.

4. Background and authority of the subsidy

Assistance is provided under the legislative authority of the Bauxite Alumina and Encouragement Act in respect of the mining sub-sector. Pursuant to recent policy directives, incentives in respect of the industrial mineral sub-sector are now being applied by Ministerial Order.

5. Form of the subsidy

Duty concessions and income tax relief.

6. To whom and how is the subsidy provided

The Bauxite and Alumina Industries (Encouragement) Act targets companies engaged in the mining of bauxite or production of alumina in Jamaica and provides for the exemption of customs duties on imports of capital goods, duty concessions, and exemption from GCT and from the special consumption tax on lubricating oil, greases and other petroleum products used by the bauxite industry.

7. Subsidy per unit, or in cases where it is not possible, the total amount or the annual amount budgeted for that subsidy

Information unavailable.

8. Duration of a subsidy and/or any other time limits attached to it

Incentives provided under the Act are for an indefinite period.

9. Statistical data permitting an assessment of the trade effects of a subsidy

Information on the trade effect of the subsidy is not available.

III. SERVICES

1. Title of subsidy

Support for a range of services generally.

2. Period covered by the notification

2000 - 2003.

3. Policy and objective and/or purpose of the subsidy

To increase investment and international competitiveness in the services sector. A range of incentives has been implemented for targeted areas within the sector, e.g. finance, information technology, professional services, motion picture production, productive entertainment, shipping and tourism.

4. Background and authority of the subsidy

Assistance is provided under the legislative authority of:

- The Foreign Sales Corporation Act
- Shipping Incentives Act
- Income Tax Act - Accelerated Depreciation Programme
- Modernization of Industry Programme
- International Finance Companies (Income Tax Relief) Act.
- Jamaica Export Free Zones Act.

These Acts and Programmes are administered by the Ministry of Industry, Commerce and Technology; the Ministry of Finance and Planning; the Ministry of Transport and Works; the Ministry of Tourism and Sport and JAMPRO.

5. Form of the subsidy

Tax and duty concessions.

6. To whom and how is the subsidy provided

- The Foreign Sales Corporation Act grants relief from the Common External Tariff (CET) and GCT, on imports of machinery, equipment and raw materials used in the production of exports. It also provides exemption from income tax on qualified income generated in foreign trade transactions.
- Under the Shipping Incentives Act, vessels must be Government owned and operated. Relief from income tax and import duties are granted for ten years (Act under review).
- The Income Tax Act - Accelerated Depreciation Programme is geared at companies engaged in promoting data processing and systems development. A two-year period is allowed under the programme for the write-off machinery and imported equipment for use in data processing and systems development. Companies benefitting from the programme may deduct from their income 50 per cent of the full costs of any new machinery in the year of purchase and a further 50 per cent the following year, provided that they derive at least 20 per cent of their gross income from exports.
- Under the Modernization of Industry Programme - (see section 6 under manufacturing).

- Under the International Finance Companies (Income Tax Relief Act), International Companies are granted tax relief above 2.5 per cent.
- Under the Jamaica Export Free Zones Act approved entities engaged in, *inter alia*, warehousing and storage, merchandising, transshipment operations, other service operations including banking, data processing, telemarketing, professional services, insurance, packaging and shipping are entitled to tax relief on profits and duty free importation of capital goods and raw material for use in the approved activities.

7. Subsidy per unit, or in cases where it is not possible, the total amount or the annual amount budgeted for that subsidy

Information on subsidy unit is not available.

8. Duration of a subsidy and/or any other time limits attached to it

Maximum 10 years (tax and import duty relief).

9. Statistical data permitting an assessment of the trade effects of a subsidy

Information on the trade effect of the subsidy is not available.

A. FILM

1. Title of subsidy

Support for the film industry.

2. Period covered by the notification

2000 - 2003.

3. Policy and objective and/or purpose of the subsidy

This subsidy has been established to support recognized film producers.

4. Background and authority of the subsidy

Assistance is provided under the legislative authority of the Motion Picture Encouragement Act which is administered by the Ministry of Industry, Commerce and Technology.

5. Form of the subsidy

Tax and duty concessions.

6. To whom and how is the subsidy provided

Assistance is provided to recognized motion picture producers through duty free importation of plant, equipment and machinery.

7. Subsidy per unit, or in cases where it is not possible, the total amount or the annual amount budgeted for that subsidy

Information on subsidy unit is not available.

8. Duration of a subsidy and/or any other time limits attached to it

Income tax relief for nine (9) years.

9. Statistical data permitting an assessment of the trade effects of a subsidy

Information on the trade effect of the subsidy is not available.

B. TOURISM

1. Title of subsidy

Support for the Tourism Industry.

2. Period covered by the notification

2000 - 2003.

3. Policy and objective and/or purpose of the subsidy

To expand, develop and support the accommodation sub-sector.

4. Background and authority of the subsidy

Assistance is provided under the legislative authority of:

- The Hotel Incentives Act
- The Resort Cottages Incentives Act

These are administered by the Ministry of Tourism and Sport.

5. Form of the subsidy

Duty concessions and tax relief.

6. To whom and how is the subsidy provided

The incentives are available to:

(6.1) New hotels

(6.2) Existing hotels adding a minimum of ten (10) rooms or thirty per cent (30 per cent) of the existing number of rooms (whichever is greater)

(6.3) Existing hotels that have done or intend to do substantial structural alteration.

(6.4) Approved convention hotels with three hundred and fifty (350) or more bedrooms are entitled to income tax and import duty relief ranging from eleven to fifteen (11-15) years.

7. Subsidy per unit, or in cases where it is not possible, the total amount or the annual amount budgeted for that subsidy

Information on subsidy per unit is not available.

8. Duration of a subsidy and/or any other time limits attached to it

Under section 6.1 to 6.3 (above) a maximum time-limit of 10 years.

Under section 6.4 (above) a maximum time-limit of 15 years.

9. Statistical data permitting an assessment of the trade effects of a subsidy

Information on the trade effect of the subsidy is not available.
