

WORLD TRADE ORGANIZATION

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Committee on Subsidies
and Countervailing Measures

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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

BELIZE

The following communication, dated 2 November 2001, has been received from the Ministry of Foreign Affairs, Foreign Trade and Cooperation in Belize.

In accordance with Article 25.2 of the Agreement on Subsidies and Countervailing Measures and Article XVI:1 of the GATT 1994, the Government of Belize hereby informs Members of the subsidy programmes it currently maintains within the meaning of Article 1.1 of the said Agreement.

1. **Fiscal Incentives Programme**

For purposes of Article 25.3 of the SCM Agreement, the **Fiscal Incentives Programme** under the **Fiscal Incentives Act, 1995** authorizes the grant of incentives, within the meaning of Article 1.1(a)(1)(ii) and 1.1(a)(b) of the said Agreement, to companies investing BZ\$250,000 or more in an approved enterprise.

For purposes of Article 25.3(i), the subsidies are in the following forms:

- (a) Tax holiday for five years in the first instance, with possibility of extension for further periods of five years up to a maximum of 25 years.
- (b) Exemption of import duties payable on materials required for construction and outfitting of production facilities, including capital equipment, and on raw materials for processing into finished products.

For purposes of Article 25.3(ii), the subsidy is reflected in revenue foregone from import duties and other duties and charges, and exemptions from income taxes. Statistics on revenue losses from this source are being compiled.

For purposes of Article 25.3(iii), this programme is intended specifically to encourage economic development and the generation of incomes and employment in all sectors, but with some priority to industries that increase production both for export and for domestic consumption. The policy encourages, but does not specifically require, the use of domestic raw materials. It is not

confined to any specific sector or sub-sector, so long as the minimum capital requirement and other transparent conditions are met.

The information required under Article 25.3(iv) is included in that provided in respect of Article 25.3(ii) above.

2. Export Processing Zones

For purposes of Article 25.3, the Export Processing Zone Act (No. 8 of 1990) established an Export Processing Zone (EPZ) programme intended primarily to attract foreign direct investment into manufacturing of non-traditional products for export markets. Under the programme incentives are granted to developers of designated EPZs, and to EPZ companies operating within such zones. The programme also allows for single-factory EPZs, which are not located in a designated zone. Instead, the prescribed area in which the facility is located is designated a Special EPZ, with the necessary security, monitoring and accountability requirements in place. Under this programme the following incentives are granted:

For purposes of Article 25.3(i), the subsidies under the EPZ programme are in the following forms:

- (a) Full import and export duty exemptions;
- (b) Exemption from capital gains tax, property and land taxes, excise, sales and consumption taxes, taxes on trade turnover, on foreign exchange tax and taxes on capital transfers;
- (c) Tax holiday of twenty years with an option to extend and deduct losses from profits following the tax holiday period; and
- (d) Dividend tax exemption in perpetuity.

For purposes of Article 25.3(ii), the subsidy is reflected in revenue foregone from import duties and other duties and charges, and exemptions from income taxes. Statistics are not readily available on such revenue losses.

For purposes of Article 25.3(iii), the policy objective of the EPZ programme is to boost traditional production including upstream value added for agricultural commodities. This is intended to reduce the economy's high reliance on a **few export products** (which are mainly primary agricultural commodities) and on a **few preferential markets** (notably the United States under the Caribbean Basin Initiative, and Europe under the LOME Convention, now the Cotonou Partnership Agreement). It is hoped that this domestic processing facility would help to spur agricultural production for food and nutrition security interests as well as for earning foreign exchange, and thereby improve rural incomes and standards of living.

The information required under Article 25.3(iv) is included in that provided in respect of Article 25.3(ii) above.

3. Commercial Free Zones Programme

For purposes of Article 25.3, the Commercial Free Zones Act of 1990 established a Commercial Free Zones (CFZ) Programme under which incentives are granted to CFZ developers and CFC businesses operating within a CFZ.

For purposes of Article 25.3(i), the **benefits** granted are in the following forms:

- (a) Import and export duty exemption on goods directly entering or leaving a CFZ; however, all such charges become due once a CFZ product enters the national customs territory; and
- (b) lower rates on income taxes.

For purposes of Article 25.3(ii), it is contended that no revenue is foregone since none were due in the first place, given that the CFZ is considered as being outside the national customs territory of Belize.

For purposes of Article 25.3(iii), the policy objective of the incentives is to boost commercial activity and value added activities, including manufacturing and assembly operations, for the main purpose of creating employment in the border regions with Mexico and Guatemala.

For purposes of Article 25.3(iv), the benefits granted under the EPZ are indefinite, and are terminated only when the CFZ status of a CFZ developer or an CFZ business is revoked.
