

WORLD TRADE ORGANIZATION

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Committee on Subsidies and Countervailing Measures

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SUBSIDIES

Notification Pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures

VENEZUELA

The following communication, dated 30 October 1996, has been received from the Permanent Mission of Venezuela.

TAX CREDIT FOR EXPORTS OF GOODS AND SERVICES PRODUCED IN THE COUNTRY

1. Description and identification of the subsidy

This Programme constitutes credit assistance under the Law establishing the Export Finance Fund (FINEXPO). It is a credit intended basically for exporters of Venezuelan-produced goods incorporating a domestic value added of 30 per cent or more. Article 8 of Decree 1,597, dated 13 June 1991, establishes two groups of added value. One, covering products with 30 to 98 per cent domestic value added, involves a 1 per cent credit on the net f.o.b. export value. The other group, with 99 to 100 per cent domestic value added, involves a 10 per cent credit on the net f.o.b. export value. Chapter IV of the regulations to the Export Incentives Law, dated 16 May 1991, includes the provisions specifically applicable to the agricultural sector and Article 22 defines agricultural products as "agricultural, forestry and fisheries products which have not undergone any industrial processing, or the characteristics of which are not substantially altered if they have undergone some processing". Again, Article 23 rules out any tax credit for 10 groups of products, more particularly: (a) live animals; (b) products of the sea falling in Chapter 3 of the customs tariff; (c) slaughtered animals, plant products and by-products on which some limitation is established by the Executive; (d) wood covered by headings Nos. 44.01 and 44.03 to 44.05 of the customs tariff; (e) cigarettes of dark or light tobacco; and (f) products covered by Article 14 of the Agricultural Marketing Law. Exported agricultural products are deemed to fall within the group with the highest domestic value added.

2. Period covered by the notification

The notification covers a period of two years (1995-1996).

3. Policy objective

To help, by means of a tax credit, exporters of Venezuelan-produced goods incorporating a domestic value added of 30 per cent or more.

4. Background and authority

The tax credit for agricultural exports is based on Decree No. 1,597, published in the Official Gazette of the Republic of Venezuela of 13 June 1991. It is also based on the Partial Amendment of the Regulations to the Export Incentives Law, published in Official Gazette No. 34,735 of 13 June 1991. As Venezuela reported in the initial notification of this programme, the Amendment was confined to agricultural products. The Ministry of Finance is responsible for implementation and supervision of the export incentives scheme.

5. Form of the subsidy

The tax credit is granted by freely negotiable bearer bonds or certificates issued by the Ministry of Finance that will be unconditionally accepted by tax collection offices provided they are submitted for such purposes within a period of two years from the date of issue. On expiry of this period, unused export bonds will be null and void.

6. Beneficiaries and mechanism

This credit is intended essentially for exporters of goods produced in the country when the domestic value added is 30 per cent or more. It operates by the payment of 1 per cent on the net f.o.b. export value. Under the current rules and as explained earlier, there are two groups of domestic value added and, since agricultural products have the highest percentage of added value, in other words, from 99 to 100 per cent, they are eligible for a 10 per cent tax credit on the net f.o.b. export value.

7. Estimated amount of the subsidy. 1995

The overall value of agricultural exports eligible for tax credit, as reported by the Export Finance Fund (FINEXPO) is 1,539 million bolívares for the year 1995.

Out of this total, an amount of 148.2 million bolívares has been paid, on the basis of 9.6 per cent of the f.o.b. export value.

The Ministry of Agriculture and Stock Breeding is in the process of determining the details of these amounts, according to the tariff headings for 1995. This information will be supplied later. A list of the products concerned is attached.¹

8. Duration of the subsidy

The measure lasts indefinitely and may or may not be applied, in accordance with a decision of the Executive, as from the date indicated in the relevant decree or, in the absence thereof, from the date of publication in the Official Gazette of the Republic of Venezuela.

¹Interested delegations are requested to contact Ms. S. Aspinall, Office 1028, Tel. 739 5109.

9. Trade effects of the subsidy

<u>F.o.b. export value</u>	<u>Incentive paid</u>	<u>Percentage of f.o.b. value</u>
1,539.8	148.2	9.6 per cent

10. Trade effects of the subsidy

The effects of the tax credit on international trade are negligible in view of the amount of the subsidized exports compared with the total for products entering Venezuela from abroad, as will be seen below:

(Millions of bolívares and percentages)

Year	Non-petroleum exports	Exports eligible for tax credit	Percentage share	Incentive paid	Incentive percentage
1991	162,622	67,471	53.8	10,271	11.7
1992	264,483	39,941	19.6	8,416	6.5
1993	395,142	12,486	3.7	1,179	9.5
1994	889,213	11,562	1.7	1,179	9.6
1995	825,872	1,540	6.2	148	9.6

Source: OCEI and BCV.