

**Committee on Subsidies  
and Countervailing Measures**

Original: English

**SUBSIDIES**

Requests Pursuant to Article 27.4 of the  
Agreement on Subsidies and Countervailing Measures

Requests Pursuant to the Procedure in Document G/SCM//39

**GRENADA**

The following communication has been received from the Permanent Mission of Grenada on 7 January 2002.

---

The Ministry of Foreign Affairs and International Trade of Grenada hereby notifies the Committee on Subsidies and Countervailing Measures of our current incentive programmes and requests an extension of the transition period under Article 27.4 of the Agreement on Subsidies and Countervailing Measures (SCM) in accordance with procedures contained in document G/SCM/39.

**Fiscal Incentive Programmes**

The Fiscal Incentives Act No. 41 of 1974 and the Hotel Aids Act of 1954 regulate fiscal incentives.

The **Fiscal Incentives Act No. 41 of 1974** allows for the granting of a tax holiday of up to 15 years, for the manufacture of approved products by approved enterprises, as follows: Group I enterprises, in which local value added is 50 per cent or more of sales: up to 15 years; Group II enterprises, in which local value added is between 25 and 50 per cent of sales: up to 12 years; Group III enterprises, in which local value added is between 10 and 25 per cent of sales: up to 10 years; Enclave enterprises, in which production is exclusively for export outside of CARICOM: up to 15 years; and highly capital-intensive enterprises, in which there is a capital investment of not less than US\$25 million: up to 15 years.

Based on the above classification, approved enterprises may obtain complete or partial exemption from the payment of income tax on profits for a period not exceeding the maximum for the group under which they have been classified.

The Act also grants import duty and General Consumption Tax (GCT) exemptions for the importation of machinery, equipment, spare parts, building materials, raw and packaging materials, and others as appropriate, to be used in eligible enterprises. Services are granted relief from the Common External Tariff and the GCT for imports of equipment.

The Fiscal Incentives Act also provides relief from income tax on the export profits accruing from the exportation of an approved product manufactured by an enterprise. This relief is provided only after the tax holiday period has lapsed, and does not apply to enterprises engaged in traditionally export-oriented.

Manufacturing enterprises that do not qualify for the benefits of the Fiscal Incentives Act may benefit from import duty concessions under SRO 37/99 (List of Conditional Duty Exemption - CARICOM Common External Tariff), which allows approved enterprises, organizations or persons to be exempted from duty or to be charged a rate lower than that laid down by the Customs Tariff Regulations. To benefit, enterprises must have a local value added of 40 per cent and over, or create employment for ten or more people, or generate export earnings.

The **Hotel Aids Act of 1954** allows for full exemption from taxes on profits for ten years for hotels, apartments, and guest houses, as well as exemption from customs duties and taxes on articles of hotel equipment to equip and upgrade hotel property, service vehicles, material for construction, repair, renovation or extension to hotel properties. The Qualified Enterprises Act, Cap. 276 provides for tax benefits and exemptions for certain enterprises. The authorities noted that the Act is rarely used, and that currently only three enterprises benefit from it.

#### **Need for extension**

In the past few years, Grenada has managed to diversify production and reduce its reliance on the banana industry. The Grenadian economy has moved further away from agricultural production and towards service activities, in particular, construction, transport, and communications, together with financial and business services have grown in importance.

Tourism continues to grow and is an important contributor to the overall economic diversification strategy. This sector is an important source of foreign exchange to the economy and also an important employer. Growth in tourism has helped cushion the effects of the decline in commodity exports, particularly bananas and cocoa.

In light of the current economic downturn, as we continue to diversify our economy and encourage the establishment of new businesses, the Government of Grenada wishes to seek an extension under SCM Article 27.4 pursuant to the procedures set forth in document G/SCM/39. Such extension is necessary in light of our economic, financial and development needs.

---