

B. Granting of Tax Credit Certificates

1. Description of subsidy

Tax credit certificates (CATs) are a subsidy included in all export contracts signed before 2 December 1992. A CAT is a bond that is payable to the bearer. It is freely negotiable, no interest accrues, and it expires 24 months after the date of maturity. These certificates are issued by the Central Bank of Costa Rica in national currency and are used to pay direct or indirect taxes, collected by the Central Bank, as the State Treasurer.

The granting of a CAT depends on whether the exporting enterprise that has signed the Export Contract has a specific percentage of the national content in the product. In general, the higher the national content, the higher the amount of the CAT. The amount is set as a percentage of the f.o.b. value of the exports by the enterprise that has signed the contract.

In the early years, CATs were sometimes as high as 25 per cent of the f.o.b. value of the products exported if the products' regional content was 50 per cent or more. Now, under domestic measures aimed at reducing it gradually, the maximum CAT that can be granted is 14 per cent, in very special circumstances, in cases where the national content of the product exported is over 50.51 per cent.

2. The period of notification

Updating of the WTO notification to 30 June 1997.

3. Policy objective

No change

4. Background and authority

CATs were introduced and granted under the Tax Act, Act No. 7092, of 21 April 1988, published in Official Gazette No. 96 of 19 May 1988, and the amendments thereto, and are also regulated by the Rules on the Profits, Time-Limits and Conditions of Export Contracts of 17 October 1994 issued by the Ministry of Foreign Trade's National Investment Council and published in Official Gazette No. 229 of 1 December 1994. The National Council for Investment is responsible for administering export contracts.

Pursuant to Executive Decree No. 25690 - COMEX, published in Official Gazette No. 5 of 8 January 1997, the functions previously carried out by the National Investment Council with respect to the administration of export contracts will be taken over by the Costa Rican Foreign Trade Promotion Agency (PROCOMER), set up under Law No. 7638, published in Official Gazette No. 218 of 13 November 1996.

5. Form of the subsidy

No change

6. Beneficiaries and mechanism

No change

7. Estimated amount of the subsidy

According to information supplied by the Central Bank of Costa Rica, during the period 1 July 1996 to 30 June 1997 the total amount of CATs processed and authorized was roughly 108.66 million dollars.

8. Duration of the subsidy

No change. However for the sake of clarity we repeat the description given in the previous notification:

CATs have been issued since 1988, when the Tax Act, Act No. 7092, came into force. CATs are not granted to enterprises that signed export contracts after 2 December 1992 because it was decided that the subsidy would be abolished as of then. However, with regard to contracts signed before that date, CATs are granted up to 1996, as expressly provided for under the Act. Nevertheless, since 7 January 1992, enterprises that have signed export contracts and requested CATs may opt for a reduction of the CAT amount against an expiry date of 1999. In other words, at any time before 1996, if an enterprise wants to obtain a CAT up to 1999 it can do so, but the percentage of the CAT percentage amount, calculated on the f.o.b. value of the exports, will be cut by 30 per cent and, what is more, the enterprise will have to pay the 5 per cent tax differential of the full CAT as compared with the reduced CAT.

There are no provisions on further extensions of export contracts or CATs beyond the last day of the 1999 company tax period. On that date, the contracts that have been extended, along with the benefits, will expire once and for all. The others expire on the last day of the 1996 tax period.

9. Trade effects of the subsidy

There is no information available on the trade effects of the subsidy.

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