

**1 ANNEX IV TO THE AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES ....1**

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**1 ANNEX IV TO THE AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES**

**1.1 Text of Annex IV**

**ANNEX IV**

CALCULATION OF THE TOTAL AD VALOREM SUBSIDIZATION  
(PARAGRAPH 1(a) OF ARTICLE 6)<sup>62</sup>

*(footnote original)* <sup>62</sup> In cases where the existence of serious prejudice has to be demonstrated.

1. Any calculation of the amount of a subsidy for the purpose of paragraph 1(a) of Article 6 shall be done in terms of the cost to the granting government.

2. Except as provided in paragraphs 3 through 5, in determining whether the overall rate of subsidization exceeds 5 per cent of the value of the product, the value of the product shall be calculated as the total value of the recipient firm's<sup>63</sup> sales in the most recent 12-month period, for which sales data is available, preceding the period in which the subsidy is granted.<sup>64</sup>

*(footnote original)* <sup>63</sup> The recipient firm is a firm in the territory of the subsidizing Member.

*(footnote original)* <sup>64</sup> In the case of tax-related subsidies the value of the product shall be calculated as the total value of the recipient firm's sales in the fiscal year in which the tax-related measure was earned.

3. Where the subsidy is tied to the production or sale of a given product, the value of the product shall be calculated as the total value of the recipient firm's sales of that product in the most recent 12-month period, for which sales data is available, preceding the period in which the subsidy is granted.

4. Where the recipient firm is in a start-up situation, serious prejudice shall be deemed to exist if the overall rate of subsidization exceeds 15 per cent of the total funds invested. For purposes of this paragraph, a start-up period will not extend beyond the first year of production.<sup>65</sup>

*(footnote original)* <sup>65</sup> Start-up situations include instances where financial commitments for product development or construction of facilities to manufacture products benefiting from the subsidy have been made, even though production has not begun.

5. Where the recipient firm is located in an inflationary economy country, the value of the product shall be calculated as the recipient firm's total sales (or sales of the relevant product, if the subsidy is tied) in the preceding calendar year indexed by the rate of inflation experienced in the 12 months preceding the month in which the subsidy is to be given.

6. In determining the overall rate of subsidization in a given year, subsidies given under different programmes and by different authorities in the territory of a Member shall be aggregated.

7. Subsidies granted prior to the date of entry into force of the WTO Agreement, the benefits of which are allocated to future production, shall be included in the overall rate of subsidization.

8. Subsidies which are non-actionable under relevant provisions of this Agreement shall not be included in the calculation of the amount of a subsidy for the purpose of paragraph 1(a) of Article 6.

## **1.2 Expiry**

1. Article 6.1(a) of the Agreement on Subsidies and Countervailing Measures (SCM Agreement), which refers to Annex IV in footnote 14, has lapsed pursuant to Article 31 thereof. For information concerning the Informal Group of Experts, which was established by the Committee on Subsidies and Countervailing Measures (SCM Committee) to "examine matters which are not specified in Annex IV or which need further clarification for the purposes of paragraph 1(a) of Article 6"<sup>1</sup>, see the document on Article 24 of the SCM Agreement (Practice).

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<sup>1</sup> [G/SCM/5](#).