

regulations, we calculated the benefit for the POR by computing the difference between the payments De Cecco made on their Law 64/86 loans during the POR and the payments De Cecco would have made on a comparable commercial loan. We divided the benefit received by De Cecco by its total sales in the POR.

On this basis, we preliminarily determine the countervailable subsidy from the Law 64/86 industrial development loans to be 0.41 percent *ad valorem* for De Cecco.

4. Law 341/95 Interest Contributions on Debt Consolidation Loans

Law 85/95 created the *Fondo di Garanzia* aimed at improving the financial structure of small- and medium-sized companies located in EU Objective 1 areas (see Footnote 3 above). Under Article 2 of Law 341/95, monies from the *Fondo di Garanzia* are used to make interest contributions on debt consolidation loans obtained by eligible companies. The company first enters into a loan contract with a commercial bank. Then, the contract is submitted to the approving authority. After approval, the loan is made.

De Cecco had a Law 341/95 debt consolidation loan outstanding during the POR. IAPC did not have any loans under this program.

We preliminarily determine that the interest contributions on this loan confer a countervailable subsidy within the meaning of section 771(5) of the Act. They are a direct transfer of funds from the GOI providing a benefit in the amount of the interest contributions. Also, these interest contributions are regionally specific within the meaning of section 771(5A)(D)(iv) of the Act.

Because De Cecco anticipated receiving the interest contributions when it applied for the debt consolidation loan, we are calculating the amount of the subsidy as if this were a reduced interest loan (see, section 351.508(c)(2) of the Department's regulations). Thus, we have divided the interest contributions received by De Cecco in the POR by De Cecco's total sales in the POR.

On this basis, we preliminarily determine the countervailable subsidy from interest contributions under Law 341/95 to be 0.01 percent *ad valorem* for De Cecco.

5. Social Security Reductions and Exemptions—*Sgravi*

Italian law allows companies, particularly those located in the Mezzogiorno, to use a variety of exemptions and reductions ("*sgravi*") of the payroll contributions that employers make to the Italian social security

system for health care benefits, pensions, etc. The *sgravi* benefits are regulated by a complex set of laws and regulations, and are sometimes linked to conditions such as creating more jobs. The benefits under some of these laws (e.g., Laws 183/76 and 449/97) are available only to companies located in the Mezzogiorno and other disadvantaged regions. Other laws (e.g., Laws 407/90 and 863/84) provide benefits to companies all over Italy, but the level of benefits is higher for companies in the south than for companies in other parts of the country.

The various laws identified as having provided *sgravi* benefits during the POR are: Law 183/76, Law 407/90, Law 863/84, Law 449/97, and Law 448/98. (Laws 449/97 and 448/98 are related and sometimes referred to jointly as "*Sgravi Capitario*.") In this review, De Cecco received some form of *sgravi* benefits during the POR. IAPC is not located in the Mezzogiorno and, thus, did not receive any countervailable subsidies under this program.

In *Pasta Investigation* and subsequent reviews, the Department determined that the various forms of social security reductions and exemptions confer countervailable subsidies within the meaning of section 771(5) of the Act. They represent revenue foregone by the GOI bestowing a benefit in the amount of the savings received by the companies. Also, they were found to be regionally specific within the meaning of section 771(5A)(D)(iv) of the Act because they were limited to companies in the Mezzogiorno or because the higher levels of benefits were limited to companies in the Mezzogiorno. In this review, neither the GOI nor the responding companies provided new information which would warrant reconsideration of our determination that these tax savings are a countervailable subsidy.

In accordance with section 351.524(c) of the Department's regulations and consistent with our methodology in *Pasta Investigation* and in reviews subsequent to *Pasta Investigation*, we have treated social security reductions and exemptions as recurring benefits. To calculate the countervailable subsidy, we divided De Cecco's savings in social security contributions during the POR by its total sales in the POR. In those instances where the applicable law provided a higher level of benefits to companies based on their location, we divided the amount of the *sgravi* benefits that exceeded the amount available to companies in other parts of Italy by the recipient company's total sales in the POR (see section

351.503(d)(1) of the Department's regulations).

On this basis, we preliminarily determine the countervailable subsidy from the *sgravi* program to be 0.18 percent *ad valorem* for De Cecco.

6. IRAP Exemptions

On January 1, 1998, the local income tax (ILOR) was replaced with a new regional tax, the IRAP, as a result of Legislative Decree 446 (December 15, 1997). Existing exemptions from the ILOR continued under IRAP. In particular, income from production facilities located in the Mezzogiorno was exempt from tax for ten years.

De Cecco claimed the IRAP tax exemption on its tax returns filed during the POR. IAPC did not claim any exemption under this program.

In *Pasta Investigation*, the Department determined that the ILOR tax exemption confers a countervailable subsidy within the meaning of section 771(5) of the Act. The exemption represents revenue foregone by the taxing authority and confers a benefit in the amount of the tax savings to the recipient companies, and the exemption was regionally specific within the meaning of section 771(5A)(D)(iv) of the Act. In this review, neither the GOI nor the responding companies have provided any information to indicate that the substitution of the IRAP for the ILOR would warrant reconsideration of our determination that this tax exemption is a countervailable subsidy.

In accordance with sections 351.509(b) of the Department's regulations and our treatment of the ILOR tax exemption in *Pasta Investigation*, we are calculating the countervailable subsidy by dividing De Cecco's tax savings in the POR by its total sales in the POR.

On this basis, we preliminarily determine the countervailable subsidy from the IRAP tax exemption to be 0.08 percent *ad valorem* for De Cecco.

7. Export Restitution Payments

The EU provides restitution payments to EU pasta exporters based on the durum wheat content of their exported pasta products. The program is designed to compensate pasta producers for the difference between EU prices and world market prices for durum wheat. Generally, under this program, a restitution payment is available to any EU exporter of pasta products, regardless of whether the pasta was made with imported wheat or wheat grown within the EU.

De Cecco received export restitution payments during the POR for shipments of pasta to the United States. IAPC did