

countervailable subsidies because they result in a financial contribution by the government in the form of revenue forgone and, in accordance with section 771(5)(E) of the Act, provide a benefit to the recipient in the amount of the interest tax savings. Moreover, we determined that the receipt of the loan guarantees were limited to certain companies selected by the GOI on an *ad hoc* basis and, thus, we found the program to be specific under section 771(5A)(D)(iii)(II) of the Act.

As adverse facts available for the GOI Loan Guarantee program, we preliminary determine to use a rate of 0.19 percent *ad valorem*, which is the highest company-specific program rate calculated in *Hot-Rolled Steel From India*, 66 FR 49635.

#### B. State of Maharashtra (SOM) Programs

##### 1. Sales Tax Incentives

Petitioners allege that incentives offered by the SOM under the Industrial Policy of Maharashtra 1993 provide either exemption or deferral of state sales taxes. Under this program, companies are exempted from paying state sales taxes on purchases and collecting sales taxes on sales; or, as an alternative, recipients are allowed to defer submitting sales taxes collected on sales to the SOM for ten to twelve years. After the deferral period expires, the companies are required to submit the deferred sales taxes to the SOM in equal installments over five to six years. Petitioners claim that producers of subject merchandise received countervailable benefits under this program. In addition, petitioners argue that although this program appears to be discontinued pursuant to the Industrial Policy of Maharashtra 2001, respondents nonetheless may have benefitted during the POI from either the deferral or the exemption of the sales tax.

In *PET Film from India*, the Department determined the program to be specific within the meaning of section 771(5A)(D)(iv) of the Act because the benefits are limited to industries located within designated geographical areas. The Department also determined that the SOM provided a financial contribution under section 771(5)(D)(i) of the Act in the form of uncollected interest and that the program conferred benefits under section 771(5)(E) of the Act. See the “Sales Tax Incentives” section of the *PET Film from India Decision Memo*.

As adverse facts available for this SOM program, we preliminary determine to use a rate of 2.39 percent *ad valorem*, which is the highest

company-specific program rate calculated in *PET Film From India*, 67 FR 34905.

##### 2. Capital Incentive Scheme

Petitioners allege that companies operating in specific areas of the SOM are eligible to receive capital incentives in the form of either cash grants (of up to 3,000,000 rupees) or sales tax incentives. Petitioners allege that producers of subject merchandise received countervailable benefits under this program.

In *PET Film From India*, the Department determined that this program is countervailable. We determined that the program is specific under section 771(5A)(D)(iv) of the Act because it is limited to industries located in designated geographical areas within the SOM. We further determined that the program provides a financial contribution under section 771(5)(D)(i) of the Act in the form of a direct transfer of funds from the SOM and conferred a benefit under 771(5)(E) of the Act. Although we determined that the producers and exporters of PET film did not use this program, we initiated an investigation of this program because the Department has not made a determination that the program has been terminated.

As adverse facts available for this SOM program, we preliminary determine to use a rate of 2.00 percent *ad valorem*, which is the *de minimis* rate applicable for developing countries.

##### 3. Electricity Duty Exemption Scheme

This program provides an exemption from the payment of tax on electricity charges for manufacturers located in specific regions of Maharashtra. In *PET Film From India*, we determined that this program is countervailable because (1) it is specific within the meaning of section 771(5A)(D)(iv) of the Act; (2) the tax exemption provided through the program constitutes a financial contribution with the meaning of section 771(5)(D)(ii) of the Act; and (3) pursuant to section 771(5)(E) of the Act, the benefit consists of the amount of the tax exempted.

As adverse facts available for this SOM program, we preliminary determine to use a rate of 0.36 percent *ad valorem*, which is the highest company-specific program rate calculated in *PET Film From India*, 67 FR 34905.

#### Programs Not Previously Examined

As explained in the *Initiation Notice* and in the *Initiation Checklist*, this investigation includes several programs that have not been examined in prior

investigations and administrative reviews. Because the GOI and TISCO did not provide the information necessary to conduct our investigation of these programs, we are making an adverse inference that each program is countervailable. Summaries of petitioners' allegations with regard to each program are provided in the *Initiation Checklist*.

#### A. Programs in the State of Maharashtra

##### 1. Octroi Refund Scheme

Petitioners alleged that, under the Octroi Refund Scheme, industrial establishments that make capital investments in specific regions of Maharashtra are entitled to the refund of octroi duty, a tax levied by local authorities on goods that enter a town or district, and possibly to the refund of other duties. As adverse facts available for the State of Maharashtra Octroi Refund Scheme, we preliminary determine to use a rate of 2.00 percent *ad valorem*, which is the *de minimis* rate applicable for developing countries.

##### 2. Exemption of Sales and Purchase Taxes for Certain Investments Related to Automobiles or Automobile Components

Petitioners alleged that, under this program, automobile investment projects over Rs. 15 billion in Category A districts are eligible to receive tax incentives. As adverse facts available for this State of Maharashtra program, we preliminary determine to use a rate of 2.00 percent *ad valorem*, which is the *de minimis* rate applicable for developing countries.

#### B. Program in the State of Bihar

##### 1. Sales Tax Incentives

Petitioners argued that the State of Bihar operates its sales tax scheme in a manner “substantially identical” to the Maharashtra sales tax incentive scheme that the Department countervailed in *PET Film From India*. They alleged that, under the Industrial Policy of Bihar 1995, the government granted tax incentives to companies that invested in “backward areas” within Bihar. In addition, petitioners pointed out that the State of Bihar expands its sales tax scheme by expanding the eligibility criteria to include new or existing industrial units undertaking expansion, modernization, or diversification through an investment of more than Rs. 500 crores (equivalent to Rs. 5,000,000,000, as Rs. 1 crore = 10,000,000 rupees). They alleged, that, under this sales tax scheme, “new industrial units” are permitted to either “set off” or exempt sales taxes paid on