1. The United Kingdom Government have pleasure in informing the Contracting Parties of the new arrangements with regard to Purchase Tax on textiles, clothing and footwear which were provisionally introduced in March 1952 in the Budget, and which, with certain subsequent modifications, are now in force under the Finance Act, 1952. These arrangements remove the discrimination in regard to Purchase Tax between domestically-produced and imported textiles, clothing and footwear, thus bringing the administration of Purchase Tax into full conformity with the provisions of the General Agreement.

2. The new arrangements are described in the Notice of August 1952 by the Commissioners of Customs & Excise which is attached as Annex I: this includes the modifications made since the introduction of the Budget. In brief, all the textiles, clothing and footwear specified in the Appendix of the Notice, irrespective of whether they are domestically produced or imported, will be exempt from Purchase Tax if the wholesale value does not exceed the appropriate "D figure". On goods of higher value, Purchase Tax will be charged only on the excess of the wholesale value over the "D figure". The rates of Purchase Tax have, moreover, been reduced, and are now 25 per cent on clothing (other than fur garments), footwear and bedding, 50 per cent on cloth and household textiles and 100 per cent on fur garments, as compared with the previous rates of 33/3 per cent, 66.2/3 per cent and 100 per cent respectively formerly charged on the whole value of non-Utility articles. The existing exemptions from Purchase Tax, including those for children's clothing and footwear and for certain types of industrial textiles and footwear, will continue unchanged. (The new arrangements will not apply for the time being to furniture, for which, pending further consideration, the existing Utility scheme will continue. As the Contracting Parties are aware, arrangements have for long been in force for the importation, free of Purchase Tax, of furniture complying with the Utility specifications).

1 "Notice by the Commissioners of Customs & Excise: Purchase Tax; D Relief" (Notice No. 78D Revised); a printed copy has been sent to each contracting party.
3. These arrangements have been decided upon in the light of the Report (copy attached as Annex II) of the independent Committee appointed last summer to review the operation of Purchase Tax in regard to those classes of goods within which Utility schemes operate. The Contracting Parties may be particularly interested to note Chapter 5 (especially paragraph 81) of the Report, which explains the difficulties which made it impracticable to effect the general removal of the discrimination against imports except by the radical step of severing the link between the Utility specifications and Purchase Tax exemption. The impracticability of effecting the general removal of the discrimination at an earlier date will be readily understood in the light of these circumstances.

4. The United Kingdom Government are glad that it has now been possible to take this action to remove the Purchase Tax discrimination. They wish to avail themselves of this opportunity of expressing their appreciation of the understanding attitude on this matter which had been shown, both by those individual contracting parties who have had bilateral discussions with the United Kingdom Government and by the Contracting Parties collectively when the matter was discussed at their Fifth and Sixth Sessions.

2 "Report of the Purchase Tax/Utility Committee" (Cmd 8452); a printed copy has been sent to each contracting party.