DISCRIMINATORY APPLICATION BY ONTARIO OF RETAIL SALES TAX ON GOLD COINS

Recourse to Article XXIII:1 by South Africa

The secretariat has received from the Permanent Representative of South Africa the following communication, dated 25 June 1984.

I have the honour to append, for your information and that of the contracting parties, the contents of a communication addressed today to the Permanent Mission of Canada concerning the discriminatory application of the retail sales tax by the Provincial Government of Ontario to the sale of gold coins.

"In the 1983 Ontario Budget, delivered on 10 May 1983, it was announced by the Minister of Finance that the Canadian Maple Leaf gold coin would, effective 11 May 1983, be indefinitely exempted from the 7 per cent Ontario retail sales tax, whilst this tax were to remain in force on imported gold coins. The announcement read as follows:

'In the meantime, I would like to announce a modest incentive to assist our gold producers. Currently, a significant amount of the production of gold in Ontario is used in making the Canadian Maple Leaf gold coin. I propose to remove the retail sales tax from this coin to encourage its production in the face of increasing future competition'.

The discriminatory application of the retail sales tax in a manner which affords protection to domestic production of gold coins is clearly in direct conflict with the letter and spirit of Article III of the General Agreement.

The attention of the Canadian Federal Authorities was, in the light of Article XXIV:12, on a number of occasions drawn to the discriminatory action on the part of the Ontario Government with a
request for assistance in rectifying this measure. These overtures by the South African Government in the face of mounting losses in the sale of Krugerrands in the Province of Ontario, did not produce any results and the Canadian Federal Authorities were finally advised that the seriousness of the matter was such that if a satisfactory solution to the trade dispute could not be arrived at by 30 November 1983, the matter would have to be referred to the GATT Council. The reaction by the Canadian Federal Authorities was limited to an indication that discussions were continuing with the provincial authorities concerned and to an acknowledgement of South Africa's right to pursue this matter through the procedures of the GATT by seeking formal consultations with Canada.

Since diplomatic representations at the bilateral level have not yielded any satisfactory results, South Africa has no alternative but to bring this issue to the attention of the CONTRACTING PARTIES and in so doing, requests bilateral consultations with Canada in terms of the provisions of Article XXIII:1 of the General Agreement."