GENERAL AGREEMENT ON TARIFFS AND TRADE
Fifth Session of the Contracting Parties

THE EFFECT OF THE UNITED KINGDOM PURCHASE TAX
ON CERTAIN IMPORTS

At the opening of the Fifth Session of the Contracting Parties to the General Agreement on Tariffs and Trade, at the request of the Netherlands Delegation, the Contracting Parties put on their agenda an item which referred to the effect of levying purchase tax on certain goods imported into the United Kingdom in relation to the provisions of Article III of the General Agreement. This Article recognises the principle that the contracting parties should not discriminate against each other by means of applying internal taxes or other internal charges to imported or domestic products, so as to protect domestic production.

The utility system has been in force in the United Kingdom since 1941 and is applicable to a wide range of consumer goods. Goods made in the United Kingdom and eligible for classification as utility are for the most part exempt from purchase tax; but these exemptions have not in general been extended to goods of comparable quality and price imported from abroad. In the view of the Netherlands Delegation this constitutes a discriminatory levy of purchase tax in the United Kingdom on the imported goods in question.

When this item was discussed by the Contracting Parties this week, Dr. H. van Blankenstein, Netherlands, said that his Government was concerned at the effect of the United Kingdom purchase tax, which seriously hampered their trade to the United Kingdom in a number of products, and had the effect of providing substantial additional protection for United Kingdom industries over and above that provided by the United Kingdom tariff. He was aware that the matter was one which presented considerable administrative and technical difficulties; but in view of its importance the Netherlands Government had felt it desirable to bring it to the attention of the Contracting Parties, and he hoped that the United Kingdom authorities would be in a position to deal with it in the near future.

Sir Stephen Holmes, United Kingdom, said that the utility system had admittedly come to have some protective effect in practice, though it was not intended for this purpose. The problem involved was a difficult one; but the United Kingdom Government, who had given sympathetic consideration to the representations made to them by the Governments of the Netherlands and other countries, and had for some time exempted from purchase tax certain classes of imported goods comparable with domestic utility products, were now able to authorize him to state that they were very hopeful that it would be possible before long to remove the discrimination.

Dr. van Blankenstein thanked Sir Stephen Holmes for his helpful statement, and said that he was confident that the problem would be resolved in the near future. The representative of Canada associated himself with the Netherlands position in stating that the utility schemes had discriminated against Canadian goods amongst others, including rubber footwear in particular. He regretted the time which had elapsed in the consideration of this problem in London, since it had first been raised. At the same time he welcomed the United Kingdom's statement. The representatives of France, Italy and Czechoslovakia stated that the matter was also of importance to the trade of their countries, and associated themselves with the views expressed by Dr. van Blankenstein. It was agreed that the matter should be placed on the agenda for the Sixth Session of the Contracting Parties, in case it should prove necessary to discuss it further at that stage.