At the eighth session of the Working Party held from 30 June to 3 July 1969 (Spec(69)94 and Add.1), the Working Party examined the information supplied by developed countries on taxes levied on products of interest to developing countries and reproduced in documents Spec(68)134 and Addenda 1-12. A note by the secretariat on this discussion follows.

1. Members of the Working Party asked for clarification on a number of points contained in documents Spec(68)134 and Addenda 1-12. There was no substantive discussion on the information submitted by Australia, Finland, Norway, New Zealand, Sweden and Switzerland.

2. With reference to the information supplied by Canada and reproduced in document Spec(68)134, the representative of Canada explained that the term "Raw material situation", appearing in column five of pages 3-6, related to the exemption from duties of the raw materials that were incorporated in processing and manufacturing, the end products of which were subject to sales tax.

3. In clarification of the information given on pages 14-16 of document Spec(68)134, the representative of the United Kingdom informed the Working Party that since the document was prepared there had been another budget as the result of which the rates of 12 1/2 per cent figuring on page 14 had been raised to 13 2/3 per cent, and those of 33 1/3 per cent to 36 2/3 per cent.

4. The representative of France stated that as a result of budgetary changes which had taken place since the preparation of the information in Spec(68)134/Add.1, there had been some changes in the rates given in that document and these would be incorporated in a revised document to be submitted later.
5. The representative of Japan, in explanation of the information given in pages 6-8 of Spec(68)134/Add.1, informed the Working Party that differences in tax base were simply a matter of administrative convenience without any special implications; however, the rates on retail prices were slightly higher than those on manufacturers' sales prices. In cases where final consumers obtained the commodity from bonded areas the tax base was the price on delivery from the bonded area. But in cases where wholesalers and manufacturers obtained the commodities from the bonded area the tax base was the retail price and not the price on delivery from the bonded area.

6. With reference to the information given in document Spec(68)134/Add.2, the representative of Denmark stated that internal taxes on tea had been removed some years ago. Cotton fabrics, sacks and bags of jute were still subject to tax on value added but the tax incidence on them had not undergone any substantive changes over the past few years.

7. The representative of Ireland stated that due to recent budgetary changes which had resulted in increases in the rates of duty on tobacco and in the wholesale tax on certain sports goods, an amendment to the information given in document Spec(68)134/Add.3 would be submitted in due course.

8. With regard to the information supplied in Spec(68)134/Add.4 the representative of the United States explained that in view of the fact that the systems applied by the various Federal States were complex, it was considered appropriate to give only the general features. However, more detailed information could probably be provided at a later stage by taking a few States as a model and examining their practices. He stated further that although there might be a few cases where the State taxes were superimposed in Federal excise taxes, in general the rates were rather low with the maximum around 6 per cent. He also explained that there was no discrimination made between sources or products in the application of the taxes except in the bases of cheese, margarine and adulterated butter.

9. The representative of Belgium explained the significance of the different rates of taxes on which information has been given in Spec(68)134/Add.6. He explained that the rates in column 3 of the tables on pages 2-6 were the standard
rates of sales tax existing on 1 January 1965; these were increased in 1966 and the rates in column 5 were those at present applied. Column 5 showed the rates of compensatory tax (taxe de majoration) being paid on 1 January 1965, while column 6 showed the rates being applied at present. The compensatory tax was levied on imported and domestic goods on an equal basis and was designed to compensate the local producer for the tax paid on purchasing raw materials, auxiliary material, packaging material and investment goods. On the tax on value added system which was going to be introduced, he explained that four rates were known but not definitely, i.e. 6, 14, 18 and 25. The lists of products corresponding to the various rates would be made definitive next September. But to give some indication he explained that all products of current consumption including food would be subjected to a tax of 6 per cent. In the case of certain products such as sacks of jute and textile where there were some difficult problems the rate would be 18 per cent. With regard to rebates, he explained that there were two systems in application. There was, on the one hand, the system covering about 50 per cent of exports whereby finished products were eligible for direct rebates in the form of a fixed reimbursement on exportation and, on the other hand, the system covering the rest of exports, whereby total exemption from taxes was granted on authorization to individual firms on the purchases of raw materials and packing materials. It should not be concluded that exports not covered by direct rebates were not produced in Belgium.

10. With reference to the submission contained in Spec(68)134/Add.8, the representative of the Federal Republic of Germany explained that the rate of the turnover tax could not easily be compared with the rate of the tax on value added; the latter rate could only be compared with the turnover rate at the very final stage of transmission to the consumer and that was almost an impossible exercise.

11. With reference to the information given in document Spec(68)134/Add.10, the representative of Italy explained that there was no discrimination in the application of the sales tax with the same rate being levied on imported products and on products domestically produced. In many cases the turnover tax was levied une tantum on the basis of an additional compensatory rate imposed at the point of importation or of first delivery.
12. Explaining further the information given in Spec(68)134/Add.12, the representative of the Netherlands stated that there had been a general increase in border taxes as a first step towards the adoption of the tax on value added system. The turnover rate on tea was then 1.6 per cent and on 1 January 1969 it came under the tax on value added with the rate of 4 per cent. In view of the increase in welfare it was found necessary to raise the rate on textiles and clothing to 12 per cent on the adoption of the tax on value added.