The Working Party agreed at its fifth meeting from 11 to 14 November 1962 that there was a need to dispose, as quickly as possible, of those questions not already discussed at previous meetings; short answers should therefore be prepared and, if delegations so wished, these could be submitted in writing in advance of its next meeting.

In reply to this invitation a number of governments supplied information which was reproduced in documents Spec(68)123, Spec(68)124 and Spec(69)4.

Further replies which are attached hereto have been received from the following delegations:

<table>
<thead>
<tr>
<th>Country</th>
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<tbody>
<tr>
<td>Australia</td>
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<td>Finland</td>
<td>8</td>
</tr>
<tr>
<td>Netherlands</td>
<td>16</td>
</tr>
</tbody>
</table>
I.B. SELECTIVE EXCISE TAXES

1. Yes. The main products to which they apply are listed in Attachment A. Complete details were supplied in response to the questionnaire circulated in document Spec(68)56. In each case specific rates apply, i.e. excise duty if payable per unit of quantity.

2. Excise duty if payable only in respect of domestic production. There is no border tax adjustment as such on imports to match the excise duty on domestic production, but when customs duty rates on imports are determined, account is taken of the rates of excise duty on equivalent domestic production. There are some products not produced in Australia at present on which excise duty would be payable if they were produced. The wines specified in items 16 and 17 of the Australian Excise Tariff are examples.

3. No.

4. As indicated above, there are no border adjustments as such on imported products in respect of excise duty. Any excise duty rebated in respect of exports is calculated at the same specific rate as was originally charged.

5. Yes. It will be seen from the details previously supplied that the Australian Excise Tariff provides for lower rates or freedom from excise duties when the provisions of excise by-laws are complied with. In other cases, goods for particular uses, e.g., for use by diplomats (vide excise item 10) are free of excise duty. In many, but not in all cases, similar provisions apply to the customs duties on imports.

6. Excise duties are not charged in cases where goods are manufactured in premises licensed under the Excise Act and are exported under Government supervision. In the case of exports of prescribed goods on which excise duties have been paid, drawback of the duties may be claimed provided the goods have not been used, have been examined prior to exportation and, if re-packed, have been re-packed under supervision and placed on the ship or aircraft under supervision. All of the goods listed in Attachment A have been prescribed for drawback purposes.

7. As indicated above, there are no adjustments as such on imports in respect of excise duties, either at the time of importation or subsequently customs duties are payable at the time of entry for home consumption.

8. There are no regional differences in excise duties.

9. There are no border adjustments for excise duties, but customs duty (and sales tax) concessions are available to all incoming passengers. Details of the concessions have been published in a booklet freely available to passengers. There are also unlimited duty-free shopping facilities available to outgoing
passengers. The goods so purchased are free of customs duty, excise duty and sales tax. Freedom from customs and excise duties is provided for small samples and for ships' and aircrafts' stores used outside Australian waters. Drawback of excise duty if not granted in respect of goods with a lower domestic value than the amount of drawback claimed or if the total drawback claimed does not exceed $1.2.

I.C. OVERLAPPING INDIRECT TAX SYSTEMS

1. Sales tax, where applicable, is imposed generally on the last wholesale sale value and this includes any customs or excise duty already imposed on the goods. However, few goods subject to excise duty are subject also to sales tax.

2. Border adjustments are made in respect of the sales tax and the excise duty to the extent that goods for export which would otherwise be subject to tax in their final form are exempted from these taxes.

III. MISCELLANEOUS

General

1. No. Revenue from sales tax and excise duties is paid into general revenue to meet the general revenue needs of the Commonwealth.

2. Land taxes, stamp duties, licence fees, etc. are levied by State and/or Local Government Authorities - except that in Commonwealth territories they are levied by the Commonwealth. They are of fairly minor importance. In 1966-67, land taxes and stamp duties, only a portion of which would fall on the business sector, represented 3.6 per cent of total taxation revenue (Commonwealth, State and Local Government Authorities). The Commonwealth levies a payroll tax on most salaries and wages paid by employers. In 1966-67 it represented 3.2 per cent of total taxation revenue.

3. No adjustment is made in the case of exports for any elements of State road taxes or Commonwealth fuel taxes which may be included in the prices of goods. These taxes are imposed on road transport operators and users of motor fuels generally, no distinction being made according to the source or destination of the goods carried.

4. No.

5. In 1967-68, collections of sales tax and excise duty, which are not levied on goods exported, were 21.5 per cent of total taxation revenue. (There are no social security taxes in Australia.)
Other tax-related border adjustments and export rebate schemes

6. Payroll tax-payers who export may qualify for a rebate in accordance with and to the extent allowed under the following formula:

\[
\text{Rebate} = 10.5 \text{ per cent of: the total value of exports in the year of export minus the average value of exports in the base period.}
\]

The base period is the average of the first three of the eight years immediately preceding the year of export. That is, the base period is a three-year moving average "lagged" five years behind the year of export. For example, the rebate entitlement of an employer in respect of his exports in 1968/69 is:

\[
\text{Rebate} = 10.5 \text{ per cent of: value of exports in 1968/69 minus average value of exports in the three years 1960/61 to 1962/63.}
\]

In 1969/70, the base period will be the three-year average 1961/62 to 1963/64. Thus, under this formula an exporter may qualify for a rebate only if he achieves continuing increases in exports. It should also be noted that the rebate is linked not with exports of particular goods but with the increase in the total value of all exports of the tax-payer (excluding specifically minerals and petroleum products). Under these arrangements there will be, of course, significant export values in respect of which exporters will not earn a rebate.

7. A special rebate of income tax, the export market development allowance, is allowed in respect of certain prescribed expenditures aimed at developing export markets. This rebate is allowed at the rate of 42.5 cents per dollar of eligible expenditure. Eligible expenditure includes expenditure on market research, advertising, the provision of free samples or free technical information, the preparation of tenders for certain goods and for the supply of services outside Australia and expenditure on securing patent and trademark protection for Australian goods sold overseas.

8. No such special allowances are provided.

9. Rates of company income tax on export profits and domestic profits are the same.

10. No export rebate of income tax is allowed in respect of goods exported.

11. Investment incentives provided in the income tax law are the investment allowances, equal to 20 per cent of the cost of new plant, available to manufacturers and primary producers as deductions, and the deductions allowed for certain capital expenditure on land used in a business of primary production and for certain expenditure relating to the mining and petroleum industries. In addition, a special flat rate of depreciation of 20 per cent is allowed to primary producers on plant (excluding motor cars) equipment and structural improvements including, within specified limits, residential accommodation for employees. These provisions apply to both individuals and companies.
12. The provisions of the income tax law allow deductions for business losses incurred in previous years, by companies and individuals, limited to losses of the previous seven years except in the cases of losses incurred in a business of primary production, which are allowed without limit as to time. There is no provision for the carry-back of losses.

13. Where an asset is sold for an amount in excess of its purchase price, this excess is not included in a tax-payer's assessable income unless the asset was purchased for the purpose of resale at a profit. Where an amount is received on the disposal, loss or destruction of an asset in excess of the asset's depreciated value for income tax purposes, then the excess, up to the extent of depreciation previously allowed thereon, is either included in the assessable income of the tax-payer for that year or applied in reduction of the value of other depreciable assets so as to reduce correspondingly the deductions subsequently allowable for depreciation available on these latter assets. These provisions apply to companies and to individuals.

14. Under the existing Australian income tax law, income (other than dividends) derived from sources outside Australia and Papua/New Guinea, where that income is not exempt from income tax in the country where it is derived, is exempt from Australian income tax; dividends received by a company from a foreign subsidiary are effectively freed from Australian tax by the rebate of tax allowed under section 46 of the Income Tax Assessment Act.

Losses incurred by an overseas establishment which is a branch of an Australian company are taken into account in determining the Australian company's taxable income if, had a profit been made by the branch, it would have formed part of the assessable income of the Australian company. Where branch profits would have been exempt because of their not having been exempt from the foreign tax, the losses would not be allowable deductions for the Australian company. Where a loss is incurred by a foreign subsidiary, as when such a loss is incurred by an Australian subsidiary, no deduction for the loss is allowed against the parent company's assessable income.

15. Land taxes and rates are levied at various rates by State and/or Local Government Authorities. They are allowable deductions for income tax purposes. No land taxes or taxes on business capital are levied by the Commonwealth.

16. The only property taxes administered by the Commonwealth are estate duty and gift duty.

When the estate of a person domiciled in Australia includes ex-Australian personal property on which duty is payable where that property is situated, a rebate of estate duty is allowable.

In the case of gift duty, a rebate is similarly allowable but only where the gift duty law of the overseas country affords a similar rebate in the converse situation.

(N.B. at present New Zealand alone has a reciprocal gift duty provision.)
However, as regards the United States of America, the provisions outlined above have been superseded by conventions for the avoidance of double taxation of estates and dispositions of property by way of gift.

Similar duties are also levied by the States.

17. A rebate of payroll tax is available to employers who increase their annual export sales above their average annual export sales in a base period (see above).

No social security taxes are levied in Australia.

18. No other tax credits are given relative to exports and imports in respect of the taxes administered by the Commonwealth.
MAIN ITEMS SUBJECT TO EXCISE

Beer
Potable spirits
Spirits (non-potable) for fortifying wine
Cigars
Cigarettes
Tobacco, manufactured, n.e.i.
Gasoline
Aviation turbine kerosene
Automotive diesel fuel
I.A. GENERAL CONSUMPTION TAXES

(b) Single-stage taxes

General remarks

The Finnish turnover taxation has been accomplished by means of a combined wholesale and retail business tax system, according to which the sale by a manufacturer of goods and the sale from the wholesale level to the retail level and directly to consumption are liable to tax on the whole value of price while sales from the retail level are liable to tax on the profit or "the margin" only. Transactions carried out between manufacture and wholesale levels, as well as the import of goods to these, are exempt from tax. The retail level always pays a tax on purchases and on the difference between the sales price and the purchase price of all sales. One liable to tax on wholesale is entitled to deduct all taxed purchases of goods obtained from the retail level. The sale of goods to foreign countries is exempt from tax.

Manufacturing, wholesale

1. In connexion with the importation by a manufacturer or a wholesaler of goods for sale, the adjustments are not made at the border, but when the goods are sold to one liable to tax on retail sales or to consumers. The rate of tax is 11 per cent of the sales price, tax included, equalling 12.4 per cent on the net price. Export sales are relieved from tax but if turnover tax has been paid on products entered in the production, or otherwise, this is not reimbursed in connexion with the exportation. Tax on retail purchases is deducted according to a deduction system, or, if the sale is exempt from tax, according to a system of tax return in lieu of the deduction method.

2. One liable to tax on wholesale shall be entered in the special register of wholesale tax liabilities. In principle, all others are liable to tax on retail sales. In the register shall be entered those engaged in manufacture of goods or resale to distributors (e.g. factories and wholesale business). Amendments to the register are mainly made on the basis of information provided by those liable to tax.

3. The sale of raw materials and semi-manufactured goods between wholesale tax liabilities are exempt from tax. If the manufacturer has to obtain the above-mentioned goods from a retailer, and thus pays a price which includes the tax, he is entitled to deduct the purchase price of the goods, in order to avoid accumulation in taxation.
Tax shall be paid on production or transport equipment and machines (capital goods) when bought by a manufacturer. The manufacturer is not entitled to deduction of taxes paid in this connexion. The tax included in the purchase price of capital goods thus constitutes a hidden burden on the sales price of export goods and goods sold on the domestic market.

4. In Finland there is a combined wholesale and retail turnover tax system. No tax shall be paid on transactions between manufacturers and wholesalers subject to wholesale tax if the goods are bought for the purpose of vend as such or as components of other goods or are intended for sale or letting in transacting business, direct consumption in first use in the manufacture of goods for sale or for letting or in connexion with taxable labour input. Capital goods are not regarded as goods for sale. Their purchase price is liable to tax and is not deductible from the turnover taxation.

5. No difference in taxation is made between imported and domestic goods. Nevertheless there are products, e.g. cars, which are not produced domestically, but which are subject to turnover taxation at the frontier.

6. The rate of border tax on imports is 12.4 per cent of the normal value of the goods increased with the customs duty, import charge and excise tax. The normal price includes freight charges, insurance and packing charges. Tax on domestic transactions amounts to 11 per cent (= 12.4 per cent of the price without tax). No tax return is admitted on capital goods.

7. There are no regional differences on the Finnish internal turnover taxation.

8. There are a few exemptions from the tax adjustment on imports. These are coupled to the customs legislation: if imports of goods are exempt from tax on the basis of a law other than tariff law, the goods in question are not liable to turnover tax. Sale of goods to foreign countries is always exempt from tax. Purchases by tourists leaving the country are also exempt from tax. In this case the dealer shall deliver the goods across the customs border (e.g. to a customs warehouse) in which case the sale will be regarded as exports.

Retail

1. Retailers pay turnover tax on imported goods in connexion with the customs clearance. The taxes are counted on the normal value of goods (see I.A.(b) paragraph 6, Manufacturing, wholesale).

2. In the internal trade there is no differentiation in turnover tax liability between foreign and domestic goods.
3. In principle retailers pay tax on the additional value only. This means in practice that the purchase price, tax included, is deducted from the retail sales price. Thus no accumulation of taxes takes place, or in other words, the purchase price paid by the consumer always includes 11 per cent of turnover tax.

4. The general supervision of turnover taxation comes under the General Turnover Tax Office subordinated to the Ministry of Finance. There are seven local turnover tax offices for assessment of tax and control of payment of tax. The supervision of taxation connected with imports, however, comes under the Board of Customs, and the customs offices subordinated to it are operating as tax authorities. The turnover tax offices carry out their supervision through inspections of book-keepings of tax liabilities fulfilled by inspectors (there are 1/2 inspectors in the whole country).

5. Goods purchased by a retailer for his business or his own use are subject to turnover tax.

If a retailer liable to turnover tax sells goods to foreign countries the tax included in the purchase price of these goods is refunded on the basis of the deduction right, or, if all sales of goods constitute tax free exports, the tax will be deducted according to the tax return system. As to taxation of capital goods and services see corresponding paragraph under "Manufacturing, wholesale".

6. See paragraph 5 under "Manufacturing, wholesale".

7. See paragraph 7 under "Manufacturing, wholesale".

8. See paragraph 8 under "Manufacturing, wholesale".

I.B. SELECTIVE EXCISE TAXES

1. Excise taxes or comparable taxes are levied as follows:

<table>
<thead>
<tr>
<th>Name of tax</th>
<th>Subject</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excise tax on tobacco</td>
<td>Conventional tobacco products and cigarette</td>
<td>(a) Basic tax, defined per centually from the retail price</td>
</tr>
<tr>
<td>products</td>
<td>paper</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(b) Additional tax, defined by number of pieces or weight on the basis of retail price</td>
</tr>
<tr>
<td>Name of tax</td>
<td>Subject</td>
<td>Unit</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
<td>-------------------------------------------</td>
</tr>
<tr>
<td>Excise tax on sweetmeats</td>
<td>Chocolate and chocolate confectionery, sweets, and licorice products</td>
<td>Kgs. (net)</td>
</tr>
<tr>
<td>Excise tax on medium strong and strong beer</td>
<td>Medium strong and strong beer</td>
<td>Percentual tax on the basis of retail price</td>
</tr>
<tr>
<td>Excise tax on non-alcoholic beverages</td>
<td>(a) Light beer</td>
<td>Litres</td>
</tr>
<tr>
<td></td>
<td>(b) Mineral waters</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(c) Sweetened aerated beverages</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(d) Artificial juices (other than fresh juices)</td>
<td></td>
</tr>
<tr>
<td>Tax on liquid fuels</td>
<td>(a) Motor spirit</td>
<td>Normal litres (= at + 15°C)</td>
</tr>
<tr>
<td></td>
<td>(b) Diesel oil</td>
<td></td>
</tr>
<tr>
<td>Tax on motor cars and motor cycles</td>
<td>(a) Passenger cars</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) Other cars, weight not exceeding 1,800 kgs.</td>
<td>(a) For imported vehicles Brussels normal price added with customs duty and excise tax</td>
</tr>
<tr>
<td></td>
<td>(c) Motor cycles</td>
<td>(b) For domestically produced vehicles, producer's selling price with certain deduction (i.e. tax on motor cars and motor cycles, sales tax)</td>
</tr>
<tr>
<td></td>
<td>Tax is not levied on special service cars such as fire engines and ambulances, or on lorries.</td>
<td></td>
</tr>
</tbody>
</table>

2. All products subject to excise taxes are manufactured domestically on an industrial scale. Passenger cars are not yet being made in Finland, but a factory is being built for this purpose. Motor cycles liable to taxation are not produced in Finland.
3. In case products subject to excise taxes mentioned above under 1 are used for the production of export goods, the producer is entitled to a rebate of the excise tax or import levy that he has paid.

4. The valuation used for border adjustments is, where needed, done on the basis of the normal price in accordance with the Brussels definition of value. If the tax on the goods in question is defined on the basis of value, the taxable value includes the costs paid for insurances, freights, customs, etc. Excise taxes are levied similarly on domestically produced and corresponding imported goods. There are differences between foreign and domestic products in the tax on motor cars and motor cycles, but this has no significance since there is no domestic production at the moment, and a review of the law is under consideration to harmonize the bases for these taxes before passenger car production is started.

5. Excise taxes are levied on domestic goods which have been taken away from the place of production and on foreign goods which have been given away from customs control. If goods liable to taxation are moved under the supervision of authorities to an industrial plant to be used in the production of goods liable to excise taxes, the tax is paid on the final product only.

   Motor spirit used as fuel, raw material or auxiliary material in industrial production is free of excise tax.

6. Excise taxes are not levied on exported goods liable to these taxes. The exemption takes place either so that the tax is not paid at all for those products which are proven to have been exported, or so that tax will be refunded after exportation if it has already been paid.

7. See paragraph 5 above.

8. A passenger may take with him into the country or a person receive in a gift parcel from abroad certain smaller amounts of products liable to excise taxes without paying tax. These amounts are specified in the administrative orders of the customs.

C. OVERLAPPING INDIRECT TAX SYSTEMS

1. Goods liable to excise taxes as mentioned under B.1 are also subject to general sales tax.

2. As above.

II. CHANGES IN BORDER TAX ADJUSTMENTS

No changes are envisaged at present.
III. MISCELLANEOUS

General

1. The revenue is not bound to be used for a specified purpose.

2. Import licence fees are charged on the issue of import licences for a limited range of goods. In addition, import permits are required for the import of certain categories of goods. In connexion with the issue of these permits a stamp tax is levied.

In theory, but in practice extremely seldom, the Finnish stamp tax could be applied differently on foreigners and Finnish citizens. In addition Finland has concluded trade agreements in which such practices are prohibited with a great number of countries.

3. No.

4. No.

5. If the collection of these taxes within the country and at the borders is taken into account, they make approximately 50 per cent of the revenue of the State.

Other tax-related border adjustments and export rebate schemes

6. According to the legislation (445/56) regarding promoting of the production and export of the metal and shipbuilding industry the interest on sales credits up to 4 per cent are not regarded as income, provided the claim originates from a contract concluded before the end of 1970 by an enterprise engaged in metal manufacture or shipbuilding and including stipulations whereby the buyer is accorded a credit of a duration of more than twelve months for the payment of the contracted metal industry or shipbuilding products. This benefit is accorded to exporters and home market producer alike.

7. The law on export reserve funds of 1966 (162/66), provides industrial enterprises with an opportunity to accumulate funds for the purpose of promoting the enterprise's export sales. A maximum of 20 per cent of the annual profit in the years 1969-1973 may be transferred to such funds and these amounts may be deducted from the taxable income for the respective year. This arrangement does not provide for a definite tax exemption in that the funds shall be used in a specified period for the transfer of fixed assets abroad or for the financing of export promotion, the amount being later added to the taxable income in the form of deductions from the depreciation allowance.
11. Joint stock companies among others have the possibility to spur their investments during a short transfer period according to a system of tax relief, provided for in the law on income from economic activities (360/68). The tax relief system has been made necessary by the tightening of the stock valuation rules and provides a possibility to add liberated stock assets to the capital proper without having to pay income tax on these capital gains, on the condition, that a corresponding amount is used for investment.

12. Under certain conditions the losses incurred during one fiscal year may be deducted from the profit during later years (Law 362/68).

13. Due to the comprehensiveness of the field covered by the question it cannot be answered in this connexion.

14. The internal legislation does not provide possibilities for compensating for taxes paid abroad. In theory this should however be possible under the agreements to avoid double taxation which Finland has concluded with several countries, though these agreements mostly are based on the exemption method. The losses made by a Finnish subsidiary (not being an independent firm) abroad may be deducted from the enterprise's total taxable income in Finland, though certain tax agreements include rules excluding this possibility. (This bears upon State taxation only; municipal taxation cannot be extended to business or real estate income from abroad.)

15. The capital assets of joint stock companies are free from capital tax and stamp tax. Private business owners, however, pay capital tax on their fixed assets in conformity with the legislation on income and capital taxation.

16. None.

17. No.

18. The fact that a motor vehicle is driven by some other kind of energy or fuel than unblended petrol makes the vehicle liable to a particular "tax on motor vehicles". This tax is subject to border tax adjustments in cases where the vehicle, registered abroad, is not exempt from the payment thereof by virtue of an international agreement, reciprocity, or special regulations concerning such taxation.
The tax on alcoholic beverages cannot be regarded as an excise tax proper: it is a special tax levied by the alcohol company which is a State monopoly. This tax replaces mainly the income and property taxes of the alcohol company. The name "tax on alcoholic beverages" does in this sense not give a completely correct picture of the matter. The tax base is the total of gross income obtained from the retail sale of alcoholic beverages and the sale for consumption in restaurants. The tax constitutes 55 per cent of the taxable value. Beer is not considered an alcoholic beverage in the sense of the tax on alcoholic beverages.

The taxable value includes the retail sale and sale for restaurant consumption of both domestic and foreign alcoholic beverages.
I. TAX SYSTEMS

B. SELECTIVE EXCISE TAXES

1. There are a number of excise taxes levied. The taxes involved are the following:

- Excise duty on beer
- Excise duty on wine
- Excise duty on sparkling wine
- Excise duty on alcoholic products (other than beer, wine and sparkling wine)
- Excise duty on sugar
- Excise duty on tobacco products
- Excise duty on hydrocarbon oils
- Special consumption tax on passenger cars

Excise duty on beer

This duty is levied from the brewer on the quantity of the worts before fermentation expressed in terms of hectoliters. At importation the duty is levied from the importer on the quantity of the beer imported taking into account the hectoliters of the worts that would have been used if the beer imported would have been domestically produced.

Excise duty on wine

The tax base is quantity of wine imported or home-produced. A surcharge is levied on wine above 12 degrees of strength proof.

Excise duty on sparkling wine

The tax base is the quantity of wine imported or home-produced.

Excise duty on alcoholic products (other than beer, wine and sparkling wine)

The duty to which home-produced alcoholic products are subject is based on the quantity of absolute alcohol contained therein at a temperature of 15 degrees centigrade and amounts to f. 1,540 per hectolitre of absolute alcohol. In respect of imported alcoholic products the duty amounts, per hectolitre, to f. 15.40 per degree of strength proof.

This duty is decreased by 50 per cent for alcohol contained in or destined to be incorporated in perfumes, toilet articles and cosmetic products.
Other alcoholic products which are not destined for internal consumption are exempt from duty.

**Excise duty on sugar**

The tax base is the quantity of sugar imported or home-produced. Imported products containing sugar are subject to this duty for the quantity of sugar contained therein.

Sugar and products containing sugar not destined for internal human consumption and sugar destined for the manufacture of beer are exempt from duty.

**Excise duty on tobacco products**

The tax base for this duty is - for imported and home-manufactured products - the retail price (including all taxes and packing charges). This duty is levied on cigarettes, cigars, cigarillos, pipe-tobacco, chewing-tobacco and snuffing-tobacco. The tax is collected by selling revenue stamps to the producer or importer.

**Excise duty on hydrocarbon oils**

The duty to which imported and home-produced mineral oils are subject is based on the quantity expressed in hectolitres. The duty amounts to f. 34 for petrol, f. 2.80 for petroleum, f. 4.40 for gas-oil and f. 1.40 for fuel-oil.

Exempt from duty are mineral oils to be used as raw material in the manufacture of other products, mineral oils destined to be used by private persons or houses for old people for heating or lighting purposes and mineral oils used for heating purposes in the course of the manufacture of exported horticultural products.

**Special consumption tax on passenger cars**

This tax is imposed on the delivery by a manufacturer and on the importation of passenger cars, including so-called combined vehicles and stationcars. The tax is based on the price that has been, or would have been, charged upon the sale of the car to a private person, reduced by the amount of turnover tax included therein. The rate amounts to 15 per cent.

2. Yes; in the case of the excise duty on wine. There is no national production of grape wine.

3. For sugar see under 1.

There is not any adjustment at the border - neither on importation nor on exportation - for the excise duty imposed on mineral oils used in the transportation of goods or used as auxiliary material (heating, fueling, lighting) in the manufacture of goods. For horticultural goods see under 1.
4. On importation the tax base is the quantity (beer, wine, sparkling wine, sugar, hydrocarbon oils), the strength proof (alcoholic products) or the retail price (tobacco products and passenger cars).

The bases and rates applicable to the existing excise taxes on imported goods do not differ from those applicable to the existing excise taxes on home-produced goods, except for the case of beer where there is a different tax base and a different rate, leading otherwise to a nearly equal fiscal charge.

5. Apart from the case of beer and that of the special consumption tax on passenger cars, the excise taxes are collected at the time when the goods can be considered to have reached the consumption stage. Payment can be deferred by making use of the system of warehousing or of a credit system. The same mechanism exists at the import stage.

6. Excise taxes are not charged on exported goods and, if tax has been paid, repayments are made (exportation of perfumes etc. and of goods containing sugar).

7. Adjustments for imported goods are made at the border but can be deferred (see under 5).

8. Does not apply.

9. Imports: there is a system of small exemptions for tourists. Exports: no special provision except for purchases from the tax-free shop at Schiphol airfield.

(c) Overlapping indirect tax systems

1. All goods subject to excise taxes are also subject to the general turnover tax (TVA).

2. This applies to both imported and home-produced goods.

II. CHANGES IN BORDER TAX ADJUSTMENTS

1. With the replacement, on 1 January 1969, of the cumulative multi-stage turnover tax by the value added tax (the standard rate of which is 12 per cent on a tax exclusive base) a special consumption tax on passenger cars (see under 1) was introduced to balance the loss of revenue. Under the cascade system passenger cars were taxed at a rate of 25 per cent on a tax inclusive base. For the same reason the excise duty on alcoholic products (other than beer, wine and sparkling wine) was increased by 10 per cent; under the cascade system alcoholic products were taxed at a rate of 18 per cent on a tax inclusive base.

2-4. Reference is made to the Netherlands Memorandum on the effects on border tax adjustments of the change-over to the TVA. See under I.A(c).
III. MISCELLANEOUS

1. No.


   Taxes on income, profits and capital 13,604
   
   Indirect taxes:
   import duties 860
   turnover tax 5,450
   excise taxes 3,490
   stamp duty 110
   registration fee 175
   motor vehicles tax 580
   real estate tax 51 10,716
   
   total 24,320

3. Does not apply.

4. No.


   Total State taxes 24,320
   Total local taxes 760
   Social security charges 13,570
   
   total 38,650

   Subject to border tax adjustments are turnover tax and excise taxes. The revenue of these taxes is f. 8,940 million.

Other tax-related border adjustments and export rebate schemes

6. Does not apply.

7. Does not apply.

8. Does not apply.

9. Does not apply.

10. Does not apply.
11. Investment allowances for the year 1969: 5 per cent for investments made in 1968 and 2½ per cent for investments made in 1969. There will probably be no allowances in the year 1970.

12. One year carry back and six years carry forward. There is an unlimited carry forward for losses incurred by a company in the course of the first six years after its establishment.

13. In general: sound business practice.


Losses incurred by permanent establishments: foreign losses are set off against Netherlands profits: if in later years there is a foreign profit the exemption for tax paid abroad is only granted for the foreign profit after deduction of the earlier foreign losses.

Subsidiaries: intercorporate dividends are not taxable in the hands of the parent company provided that the subsidiary is subject to foreign corporate income tax.

15. Yes, but only for individuals, not for companies. The rate is 6 per cent. The tax is not deductible from profits.

16. Does not apply.

17. Does not apply.

18. Does not apply.