OUTLINE FOR EXAMINATION OF BORDER TAX PRACTICES

Replies by Delegations

Addendum

The Working Party agreed at its fifth meeting from 11 to 14 November 1968 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.

Further replies which are attached hereto have been received from the delegations of Belgium and France.

Further replies will be circulated in addenda to this document.
BELGIUM

B. EXCISE TAXES

1. All the excise taxes charged in Belgium are specific taxes, with the exception of those on manufactured tobacco (which is subject to an ad valorem excise tax).

2. No.

3. Exports of products subject to excise tax are exempt from the tax in Belgium. Imports of products subject to excise tax are charged the same excise tax as the like domestic product. An adjustment is made in respect of raw materials incorporated in exported goods. No adjustment is made in respect of goods subject to excise tax that are used, either as auxiliary materials (heat, energy, light) in the production of goods, or for the transport of other goods.

4. The taxes are specific (i.e. BF x per hectolitre or per kg.). Insurance costs and customs duties do not therefore affect the tax base. The rates and base are the same for domestic and imported products.

5. Yes. In Belgium payment of excise taxes cannot be postponed.

6. Exemption from excise tax is granted on exports (subject to proof that export has taken place). If excise duty has already been paid, no reimbursement is made but the exporter can deduct the amount paid from his future payments.

7. Adjustments are always made upon importation, i.e. when the goods are cleared for consumption.

8. This is not the case in Belgium.

9. On imports there is a system of minimum exemptions for travellers' small purchases and souvenirs. This exemption corresponds to that granted in respect of customs duties and has been established taking account of the amount of the duties concerned.

On exports there are no adjustments in respect of articles purchased by tourists (exception: tax-free shops at airports).

C. OVERLAPPING INDIRECT TAX SYSTEMS

1. In Belgium the excise taxes apply to goods that are also subject to the cumulative tax.

2. Border tax adjustments: for excise tax, see reply under B.6; for cumulative tax, see reply under "cascade taxes".
II. CHANGES IN BORDER TAX ADJUSTMENTS

1. This case has not arisen in Belgium.

2 and 3. Changes in compensatory charges on imports.

The reasons why Belgium has changed the rates of existing compensatory charges and of any existing refunds are indicated below.

(a) Changes in the system of taxation applicable to the products concerned, making it necessary to review the calculations.

(b) Changes in the rate of increase for certain raw materials, auxiliary materials and packaging. Such a change (new increase or pegging-up of an existing increase) makes it necessary to peg up the increase on finished products in which such materials or packaging are used.

(c) Changes in manufacturing process.

(d) Changes in sectorial structure.

The original calculation was based on a breakdown of the turnover of a factory that has now ceased all activity. Since then one or more new factories have been established and the new calculation is based on the accounting data of the new factories.

Disappearance of integrated factory. Production is still only carried out by non-integrated factories. Result - increase in tax burden.

Creation of non-integrated factories, whereas all factories were integrated when the rates of increase were determined.

Declining importance of custom work.

Increase in production by integrated factories and decline in that by non-integrated factories, resulting in a reduction in the rate of increase.

(e) Changes in import tariff

In Belgium many increases have been established since 1953 and 1954. At that time the import tariff in force was much less detailed than it is now. The common external tariff of the European Economic Community countries includes many headings and sub-headings, making it easier to isolate many products for which separate rates of increase can now be set. As a result there have been some upward and some downward adjustments in certain increases in recent years, for example:

- The calculation was originally based on an average for an entire heading. The new calculations relate only to certain products within the heading.
Plastic materials. The import tariff in force in 1952 included these products under three or four headings with virtually no sub-headings. Under the present customs tariff, plastic materials fall within Chapter 39, comprising seven headings. Each of these is sub-divided into numerous sub-headings for phenoplasts, aminoplasts, alkyds, polyamides, polyurethanes, polyethylene, polypropylenes, polyvinyls, acetates, etc. For each of these products there are further sub-headings for powders, sheets, flakes, articles, etc. It is therefore only normal that in setting the rates of increase a differentiation should be made for each of these products under special tariff headings. These new calculations may then cause certain changes in the rates of increase.

The same case applies for paper, paperboard and articles thereof.

The same case applies for yarn of man-made fibres (i.e. separate calculations are now made for each sub-heading in the import tariff).

Note: The situation described above as regards the import tariff may also cause reductions in existing rates of increase.

Changes in the selling price breakdown

As already mentioned, Belgium established increases in 1953 (Royal Decree of 11 March 1953). The first adjustments therefore date back to 1952. Many increases were introduced during the years 1954-1957. It is therefore normal that the new enquiries should have yielded results that in some cases differ from the original calculations since the price of products and of the raw materials, packaging, energy, etc. have changed. Moreover, since 1952 certain new increases have been established or existing increases have been pegged up on certain materials used in the manufacture of these products. These changes can result in an upward adjustment in the rate of increase.

III. MISCELLANEOUS

General

1. The revenue from taxes in general is intended to offset all Government expenditure.

2. Impossible to determine (in Belgium there are no inventory taxes).

3. No.

4. No.
5. The taxes that are the subject of border tax adjustment account for about 24 per cent of total tax revenue.

Other tax-related border adjustments and export rebate schemes

6. No tax credits are granted.
7. No tax credits or deductions are granted.
8. No measures of this kind exist in Belgium.
9. There is no differential rate in Belgium for export profits and domestic profits.
10. No such rebate exists in Belgium.
11. In principle, there are no investment incentives, except for investments in certain areas of the country (degressive amortization).
12. Losses can be spread over a maximum period of five years.
13. Appreciation of assets is taxed as follows:
   - assets invested for less than five years: normal tax system;
   - assets invested for five years or more: tax at the rate of 15 per cent provided that the assets remain invested in the firm.
14. Profits by establishments or subsidiaries in other countries.
    (a) for countries with which Belgium has concluded a double taxation agreement:
        profits are not subject to tax in Belgium;
    (b) for countries with which Belgium has not concluded a double taxation agreement:
        the tax on such profits is one quarter of the normal rate.

Losses by establishments or subsidiaries in other countries:

    the losses can be offset against profits by the Belgian undertaking over a maximum period of five years.

15. None.
16. No border tax adjustments are made for property taxes. Wealth taxes and inventory taxes do not exist in Belgium.
17. No.
18. No adjustments are made for other taxes. No other tax credits are given in Belgium relative to exports or imports.
I. TAX SYSTEMS

B. Selective excise taxes

1. The selective excise taxes are applied to specified goods and are generally calculated on the basis of specific units.

Under the 1968 reform, the TVA has replaced certain single or special charges that had the character of excise taxes: on wines and cider, coffee and tea, transport of goods, as well as the milling tax on grains and the millers' licensing tax. The movement tax on meat was abolished on 1 December 1968.

The excise duties still in force apply mainly to the following:

- wines and cider: movement tax charged on the basis of the hectolitre by volume;
- beer and mineral water (hectolitre);
- consumption tax on spirits (charged per hectolitre of pure alcohol);
- surcharges on certain aperitifs based on aniseed spirits or obtained from the distillation of grains (charged per hectolitre of pure alcohol);
- assay tax on gold, silver and platinum (charged per hectogramme);
- special tax on heavy vehicles (on the basis of the total permitted laden weight).

A monopoly tax is charged on tobacco and matches.

Petroleum products are generally subject to an internal charge applied when they leave the warehouse to enter the consumption circuit (specific or ad valorem rates). A special ad valorem tax is charged on beetroot used for sugar manufacture, including quantities exported.

2. The excises are consumption taxes charged on all the goods concerned, even if not produced in France. Only the tax on tea and coffee - which has now been abolished - would seem to correspond to this question.
3. In practice, adjustments exist only in respect of raw materials or components that are subject to an excise tax and are used in the manufacture of exports. There are no adjustments in respect of transport or energy.

4. The problem of valuation does not arise in principle, since the taxes are essentially specific. The rates on imports are the same as on home-produced goods.

5. Purchases by firms are taxed. The tax cannot be avoided if the goods produced are delivered for domestic consumption.

6. Exemption or reimbursement depends on the stage of utilization of products intended for export.

7. The adjustment is made at the stage at which the same product of French origin is taxed.

8. There are no regional differences in France.

9. There is an exemption for imports of very small quantities corresponding to personal consumption, and a flat-rate charge is applied for reasons of simplification, within certain limits. On exports, exemption is granted in certain tax-free shops (airports) or if proof of export is shown.

C. Overlapping indirect tax systems

1. In France all products subject to an excise tax are also liable to TVA.

2. A normal border tax adjustment is made for the two taxes. However, the internal tax and TVA on petroleum products are not reimbursed in respect of energy and fuel.