V. Points 2 and 3: Proposals and Suggestions - Conclusions

37. The Working Party examined a proposal for the establishment of a regularized system of review of changes in tax adjustments within the GATT. The proposal comprises a notification procedure and a multilateral consultation-upon-request procedure.

38. The Working Party recommends that a notification procedure be introduced, on a provisional basis whereby contracting parties will report changes in their tax adjustments. It is understood that such notifications need not be made prior to the changes. The contents of the notifications would aim generally at reporting any major changes in tax policy involving international trade, and in particular at bringing periodically up-to-date the information contained in the consolidated document on contracting parties’ practices (L/3389) on tax adjustments drawn up in the course of the Working Party’s work. While the notifications would cover changes in centrally-controlled taxes, countries with large locally- or regionally-controlled tax systems would be expected to make a special effort to report changes of significance on a local or regional basis.

39. The Working Party recommends that a consultation procedure be established whereby, upon request by a contracting party, a multilateral consultation could take place on changes in tax adjustments whether notified or not. Such consultations would be held within the scope of the relevant GATT provisions. Upon request, contracting parties should be prepared to account for the reasons for adjustment, for the methods used, for the amount of compensation and to furnish proof thereof.
40. It is suggested that this Working Party, because of its experience in the field of tax adjustments, is the appropriate forum for holding consultations and that it is mandated to consider forms of changes in tax adjustments, the reasons for them and to assess their likely impact on trading partners of countries making the changes.

41. Other members were of the opinion that new terms of reference would be needed to cover the envisaged consultation procedure — whether they be given to this Working Party or another body.

42. The Working Party recommends that whatever body should be entrusted with the consultation procedure, it be set up provisionally, and on an experimental basis. Furthermore, the Director-General should be asked to consider, at convenient intervals, on the basis of the notifications referred to above, and in consultation with interested parties, whether a review of notified changes is called for. He should also be asked to consider after an adequate period of operation, and in consultation with interested parties, whether the notification procedure should be continued, modified or discontinued.

43. The Working Party does not feel that any useful purpose would be served by pursuing the examination of its present terms of reference at this time under the present circumstances at this juncture; but recognizes the continuing interest and concern for future changes in taxation systems.

44. The Working Party took note of the particular interests of developing countries in the removal of tax adjustments on products not domestically produced by developed countries and the reference in this context which was made to Article XXXVII by developing countries.

VI. Report on Examination of Group 5 Notifications

With regard to the notifications submitted to it by Working Group 5 of the Committee on Trade in Industrial Products, the Working Party considered that its task was terminated. It noted that a large part of the notifications concerned
measures which seemed to be compatible with the relevant provisions of the General Agreement; therefore the Working Party could not recommend particular solutions to Working Group 5.

x. The Working Party noted that the term "border tax adjustment" had given rise to much confusion because it implied that the adjustment must take place at the time the goods cross the border, whereas this was not the case whereas under certain tax systems exports never become liable to the tax of the exporting country, and imports are taxed by the importing country, like domestic products, at the time they are sold by registered traders to non-registered traders or consumers. For this reason it was recommended that the term "border tax adjustments" should for the future be replaced by tax adjustments applied to goods crossing borders.