GROUP OF CUSTOMS EXPERTS ON COUNCIL OF EUROPE PROPOSAL

Proposals on Draft Report
dated 27 September 1952 (L/22), paragraphs 1, 2 & 3

Paragraph 8

Insert "provisional" before "lists" in line 4.

Add at end of paragraph:

"It should be noted that the list in Annex A is no more than a list of goods the duties on which countries consider should be excluded from the operation of the plan in question; no indications have been furnished or requested regarding the possibility of converting the duties into internal taxes."

Paragraphs 4-8

Replace by the following proposals prepared by the Drafting Group:

EXCLUSION OF COMPENSATORY TAXES

4. The proposal by the Council of Europe includes the following rule which would be applicable to fiscal duties:

"In order to facilitate the application of this principle by the HIGH CONTRACTING PARTIES, states which have high customs duties of a fiscal nature shall be permitted within the above-mentioned period to convert such duties into taxes imposed equally on imported and internally produced commodities."

5. This proposal appears, at first sight, to provide an equitable and self-operating solution to the problem of so-called fiscal duties.

6. But it must be pointed out that there are several reasons which might make it difficult for countries to accept the proposition that they should convert their fiscal duties into internal taxes (with or without an additional customs duty)

(a) Certain countries might be unwilling to effect such a conversion as regards items not produced domestically, on the grounds that the institution of an internal tax would be inappropriate.

(b) In instances where any internal production is on only a very small scale, countries might not wish to make internal production subject to taxation, because the prejudice to the export trade of other countries which might thus arise would be unimportant.
(c) Countries might find that the methods of applying existing duties to home-produced goods could not be applied to imported goods. For example, an excise duty might currently be levied at an intermediate stage in the production of a substance (such as saccharin in one country); it would clearly be impossible to apply such a taxation system to imported saccharin. Some countries might be reluctant to undertake the complete revision of their existing systems of taxing home-produced goods.

(d) It may be found that governments will encounter other difficulties in the attempt to convert fiscal duties into internal taxes. In particular, as regards customs or economic unions, the conversion in whole or in part of certain fiscal import duties into internal taxes might result in situations incompatible with the provisions of the Treaty for the Union between the countries.

7. It may accordingly be necessary to provide an alternative method for dealing with fiscal duties. Countries might be allowed, if they did not wish to convert duties they regarded as fiscal into internal taxes, to exclude such duties from the ambit of the scheme. Countries which exercised this option would have to be requested to submit their lists of fiscal duties for the approval of other countries participating in any convention which might result from the proposals of the Council of Europe.