

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED
LIMITED E
GATT/CP.5/12
26 October 1950
ORIGINAL : ENGLISH

CONTRACTING PARTIES
Fifth Session

THE EFFECT OF THE UNITED KINGDOM PURCHASE TAX ON CERTAIN IMPORTS INTO THE UNITED KINGDOM, WITH REFERENCE TO ART. III

Statement submitted by the Netherlands Delegation

Since 1941 the "utility" system has been in force in the United Kingdom for a wide range of durable consumer goods. Goods satisfying certain conditions regarding quality, price, etc. are classified as "utility" goods and are for that reason not liable to purchase tax. Articles imported from abroad, the quality, price, etc. of which are comparable to those of British products classified as "utility", however, are not exempted from purchase tax. This discriminatory levy of purchase tax in the United Kingdom on the imported goods in question creates unequal competitive conditions on the British market and hampers the exportation from the Netherlands into the United Kingdom of e.g. blankets, shoes, clothing, woollen knitted fabrics, cotton-, rayon- and linen piece goods.

Exemption from purchase tax is granted for imports of furnishing fabrics and a few other woollen materials on the condition that they will be used for working up into "utility" products. It is obvious that this condition limits the value of the exemption considerably and therefore the volume of the Netherlands exports of said goods to the United Kingdom. Only in the case of imports of furniture from the Netherlands did the British Government agree last year to the exemption from purchase tax, provided that the Netherlands complied with the regulations prevailing for the United Kingdom "utility" furniture.

In the past the Netherlands Government requested the British Government several times to make an arrangement creating the possibility for all Netherlands goods subject to purchase tax - the comparable British articles being exempted - to be exempted. On March 13th, 1950, the Netherlands Minister of Foreign Affairs handed a note to his British Colleague, which dealt among other things with this subject. The British Government replied that they appreciated the problems raised by the remission of purchase tax for goods within the "utility" scheme and admitted that very considerable problems remained, which were under constant study. Since then, however, there has been no change in a situation which the Netherlands Government consider unsatisfactory. The Netherlands Government therefore - in accordance with the procedure set out in Paragraph 2 of Article XXIII of the General Agreement on Tariffs and Trade - herewith refer the matter to the Contracting Parties in order to obtain a decision on the question whether the discriminatory levy of purchase tax on goods imported into the United Kingdom is consistent with the provisions of Article III of the Agreement, notably with Paragraphs 1 and 2 thereof.

•