

GENERAL AGREEMENT ON TARIFFS AND TRADE

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IMPACT OF ADDED VALUE TAX ON ADVERTISING

At the request of the Secretary General of the International Chamber of Commerce the following Statement, adopted by the Marketing Consultative Group of the ICC on 25 June 1970, is distributed for the information of contracting parties.

Statement

Observing that in several countries the conditions of application of the added value tax to advertising lead to inequality of treatment as between advertising agencies and advertisers established abroad, on the one hand, and those established in the country itself, on the other;

Emphasizing that governments, in their international relations, have accepted the principle by which the conditions of competition should not be distorted by the application of domestic taxes whose incidence should actually be the same for all parties, wherever they may be established;

The ICC recommends that those governments whose tax regulations do in practice discriminate between advertising agencies and advertisers established abroad, on the one hand, and advertising agencies and advertisers established in the country itself, on the other, should make as rapidly as possible those changes to their regulations which are necessary in order to eliminate such discrimination. Such changes might be based on the principle of tax exemption, as is already applied in some countries, or on other appropriate methods offering similar guarantees of equal treatment and effectiveness.

The ICC further recommends that any government planning to introduce the added value tax system at some future time should include in its future regulations such provisions and procedures as are needed to ensure that advertising agencies and advertisers established abroad will receive equal treatment with respect to the added value tax.