

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Sub-Committee on
Non-Tariff Barriers

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AUTOMOBILE ROAD USE TAXES

Note by the United States Delegation

A. The non-tariff barrier

The United States considers that characteristics of the road use taxes applied by certain countries to passenger motor vehicles have the effect of discriminating against United States passenger motor vehicles and of constituting a non-tariff barrier to importation of such vehicles into those countries. First, these taxes are assessed on the basis of cylinder capacity or fiscal horsepower. These standards have no necessary relationship to value. Because United States cars have higher cylinder capacity or fiscal horsepower rating than European cars of the same value, the effect of using these standards to assess road use taxes is generally to tax United States cars much more heavily than European cars of the same value. Second, rates of taxation for categories into which most United States cars fall are disproportionately higher than rates applicable to most European cars. The disproportionate increase adds to effective discrimination against United States cars.

B. Action sought

1. The United States desires that the Governments of Austria, Belgium, France, and Italy take action to ensure that their road use taxes are assessed on a basis related to the value of the car, rather than on a basis of cylinder capacity or fiscal horsepower.
2. The United States desires that the above governments take action to ensure that their road use taxes are assessed at uniform rate for cars in the same price category, and without disproportionate differences between various tax rates.
3. The United States may, in the future, wish to call attention to similar taxes of other countries.

C. Description of specified practices1. Austria

The present road tax is based on a law dated 27 May 1962, amended 6 April 1963, effective 1 May 1963, to increase temporarily the annual tax by 50 per cent.

Tax rates on passenger cars (except motor buses) and utility cars built after 31 December 1941, follow:

<u>Cylinder Capacity</u>	<u>Schillings</u>	<u>Dollars</u>
Up to 1,000 CC	444	17
1,000 CC to 1,250 CC	504	19
1,250 CC to 1,500 CC	600	23
1,500 CC to 2,000 CC	720	28
2,000 CC to 2,500 CC	816	31
2,500 CC to 3,000 CC	3,600	139
3,000 CC to 3,500 CC	4,500	173
3,500 CC to 4,000 CC	5,400	208
4,000 CC to 5,000 CC	7,200	277
5,000 CC and above	8,100	311

The majority of United States cars have a cubic cylinder capacity of over 3,000 CC. Thus United States cars are subject to a particular degree to discrimination implicit in the abrupt jump from 816 schillings on cars less than 2,500 CC to 3,600 schillings for cars of 2,500 CC and above. The Mercedes 220 SE coupé, purchase price 217,000 schillings, pays a road tax of about \$31 per year, whereas the Chevrolet Bel Air, purchase price 130,000 schillings, or 60 per cent of that of the Mercedes, pays a tax of \$208 per year, over 600 per cent that of the Mercedes.

2. Belgium

The present tax schedule dates back to 10 August 1950, with a minor amendment in 1960 by which the amount of tax on the highest horsepower type was reduced.

The tax schedule for passenger cars follows:

<u>Fiscal Horsepower</u>	<u>Belgian Francs</u>	<u>Dollars</u>
Up to 10 HP	720 to 1,620	14.40 to 32.40
10 HP	1,830	38.60
11 HP	2,112	42.24
12 HP to 16 HP	2,448 to 3,600	48.96 to 72.00
16 HP to 22 HP	4,048 to 6,678	80.96 to 133.56
22 HP to 31 HP	7,304 to 13,320	146.08 to 266.40
31 HP to 34 HP	14,229 to 17,136	284.58 to 342.70

The tax is reduced by 25 per cent after the vehicle has been in service more than five years.

The incidence of the annual road tax as a percentage of the price ranges from 0.7 to 2.6 per cent for European cars and 1.7 to 5.2 per cent for United States cars. The rate of tax calculated by horsepower increases for cars with high cylinder capacity, thus effectively discriminating against United States cars. Thus the Chevrolet Bel Air and Mercedes Benz have approximately the same value, but the Bel Air pays a road tax (5,548 Belgian Francs, or \$111) over twice that paid by the Mercedes Benz (2,448 Belgian Francs, or \$49).

Similarly, Ford Galaxie and Porsche both cost approximately 242,000 Belgian Francs, but the Porsche pays a road tax of 1,620 Belgian Francs (\$32) and Galaxie pays a road tax of 6,678 Belgian Francs (\$134), almost 400 per cent that of the Porsche.

3. France

The fiscal tax on motor vehicles came into force 1 October 1956. The tax rates follow:

<u>Fiscal Horsepower</u>	<u>French Francs</u>	<u>Dollars</u>
Up to 4 HP	60	12
5 to 7 HP	90	18
8 to 11 HP	120	24
12 to 16 HP	150	30
Over 16 HP	1,000	200

The tax applied to cars below 16 fiscal horsepower is reduced by half after five years; for cars over 16 fiscal horsepower, it is reduced to 500 francs after two years, to 250 francs after four years, and to 90 francs after six years.

Present French production of automobiles, except for two models of Facel Vega with rating of 36 fiscal horsepower, is in the category of 2 to 11 fiscal horsepower. The majority of European cars fall in the 16 horsepower or below category. Except for compact cars, United States automobiles fall in the category above 16 fiscal horsepower. Thus United States cars are taxed at the equivalent of \$200 per year compared to \$30 or less for European cars. Chevrolet Impala which costs 30,354 French francs, including duty and value-added tax, pays a road tax of \$200 whereas Lancia Flaminia, costing 33,500 French francs, pays only \$30 tax. Similarly, the value of the 14 fiscal horsepower Mercedes 200 SE is 48,000 francs, whereas the 18 fiscal horsepower Chevrolet, model Chevy II 200-400, is 23,285. The Mercedes pays \$30 and Chevy II, costing less than half that of the Mercedes, pays \$200, or over six times the amount paid by Mercedes.

4. Italy

The road tax on motor vehicles was introduced in December 1923. It is an annual tax on fiscal engine horsepower, determined by a formula taking account of cylinder volume and of number of cylinders. The tax does not diminish with the age of the car. (Since 1 January 1963, an additional tax of 5 per cent is levied with the road tax. The additional tax is not included in the following figures.)

Selected tax rates, with dollar values, follow:

<u>Fiscal Horsepower</u>	<u>Lire</u>	<u>Dollars</u>
Up to 5 HP	5,250	8.00
10 HP	10,500	16.80
15 HP	31,500	50.40
16 HP	39,000	62.40
20 HP	64,000	102.40
25 HP	97,000	155.20
30 HP	132,000	211.20
35 HP	167,000	267.20
40 HP	202,000	323.20
45 HP	237,000	379.20
Over 45 HP	8,500 Lire per HP	

Italian automobile production consists mostly of cars with a fiscal horsepower of 6-17, although a number of cars of more than 17 HP are manufactured in Italy.

The great majority of United States cars are rated above 16 HP. As a result, Ford Falcon, costing 2,550,000 Lire, pays an annual tax of 125,000 Lire (\$200), whereas Lancia Flaminia, costing 3,000,000 Lire, pays a tax of 104,000 Lire (\$166). Moreover, Mercedes 190, costing 2,490,000 Lire, pays a tax of only 58,000 Lire (\$95); it is almost equal in price but taxed less than half the amount paid by the United States car.