

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Sub-Committee on Non-Tariff Barriers

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## UNITED STATES SYSTEM OF DUTY AND TAX ASSESSMENT ON IMPORTED BOTTLED SPIRITS

### Note by the Delegation of the EEC Commission

1. In the United States, the duties and taxes on spirits at more than 48°20 G.L. are assessed on a proof-gallon basis, while those on spirits at less than 48°20 G.L. are assessed on a wine-gallon basis. In other words, imported spirits with an alcohol content lower than the proof strength are liable to duty and excise tax as if they were 100° proof, i.e. 48°20 G.L.

Brandies, for instance, which are imported in bottle at 84° proof are taxed as if they were 100° proof, so that the 16 per cent of distilled water added is assessed as if it were alcohol.

2. This assessment system apparently applies to domestic spirits and imported spirits alike, but in practice it is applied only to spirits imported in bottle, for only these are at the consumption stage when the fact giving rise to duty occurs. For domestic products the dilution for consumption (with distilled water) takes place only after the taxes have been charged.

This system gives an extra margin of protection to domestic producers of brandies and in general to competing spirits, which is equal to the amount of import duty and excise tax paid on the distilled water contained in spirits imported in bottle.

3. The Commission considers that the assessment system described above results in undue discrimination to the advantage of domestic producers of spirits, contrary to Article III of the General Agreement.

In order any tariff reductions granted on these products may be considered as comparable to other tariff reductions resulting from application of the negotiating rules, the Commission considers that the United States Government should replace the present method of assessing excise tax and import duty by a system for assessing all spirits, at whatever proof, on the basis of their real alcohol content.