

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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General Distribution

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SCHEDULE XX - UNITED STATES

Preferential Internal Tax Treatment Accorded to Coconut Oil
the product of the Trust Territory of the Pacific Islands
(Decision of 8 September 1948)

The following communication has been received from the United States Government:

"The CONTRACTING PARTIES, acting pursuant to Article XXV:5(a) of the General Agreement on Tariffs and Trade, decided on September 8, 1948 to permit the United States, among other things, to accord to coconut-oil the product of the Trust Territory of the Pacific Islands preferential internal tax treatment subject to specified conditions, notwithstanding the provisions of Article I, paragraph 1, of the General Agreement. The decision provides that the date on which such treatment is instituted shall be notified to the Contracting Parties by the Government of the United States.

"By legislation enacted June 12, 1952, the exemption accorded to coconut-oil the product of the Philippine Republic (or produced wholly from materials the growth or production of the Philippine Republic) with respect to the two cents per pound internal tax on processing was extended to the like product of the Trust Territory of the Pacific Islands.

"Enclosed for deposit with the secretariat library is a copy of the legislation (Public Law 391, 82nd Congress; 66 Stat. 136) extending the tax benefit in question to the Trust Territory." (Reproduced overleaf)

Text of the Act of the United States Congress

"PUBLIC LAW 391 -- 82nd CONGRESS
CHAPTER 420 -- 2nd SESSION
H. R. 7188

AN ACT

To provide that the additional tax imposed by section 2470 (a) (2) of the Internal Revenue Code shall not apply in respect of coconut oil produced in, or produced from materials grown in, the Territory of the Pacific Islands.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2470 (a) (2)¹⁾ of the Internal Revenue Code (relating to the additional tax on domestic processing of coconut oil) is hereby amended to read as follows:

'(2) ADDITIONAL RATE ON COCONUT OIL.--There shall be imposed (in addition to the tax imposed by the preceding paragraph) a tax of 2 cents per pound, to be paid by the processor, upon the first domestic processing of coconut oil or of any combination or mixture containing a substantial quantity of coconut oil with respect to which oil there has been no previous first domestic processing. The additional tax imposed by this paragraph shall not apply when it is established, in accordance with regulations prescribed by the Secretary, that the coconut oil (whether or not contained in a combination or mixture) (A) is wholly the production of the Philippine Islands, any possession of the United States, or the Territory of the Pacific Islands (hereinafter in this paragraph referred to as the "Trust Territory"), or (B) was produced wholly from materials the growth or production of the Philippine Islands, any possessions of the United States, or the Trust Territory: Provided, however, That such additional tax shall apply in respect of coconut oil (whether or not contained in a combination or mixture) so derived from the Trust Territory, to such extent, and at such time after the date of the applicable proclamation, as the President, after taking into account the responsibilities of the United States with respect to the economy of the Trust Territory, shall hereafter determine and proclaim to be justified to prevent substantial injury or the threat thereof to the competitive trade of any country of the free world. The tax imposed by this paragraph shall not apply to any domestic processing after July 3, 1974.'²⁾

SEC. 2 The amendment made by this Act shall be effective only after the day on which this Act is enacted.

APPROVED JUNE 12, 1952."

1) Coconut oil. 53 Stat. 264.
26 U.S.C. Section 2470.

2) 66 Stat. 136.
66 Stat. 137.