

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## GERMAN TURNOVER TAX AS APPLIED TO IMPORTS OF PRINTED MATTER

### Statement by the Delegation of the Kingdom of the Netherlands

The Netherlands Government has submitted the following statement relating to item 16(e) in the agenda for the Eleventh Session of the CONTRACTING PARTIES.

"Approximately two years ago the German Customs Authorities modified the calculation basis used for the application of the 4 per cent compensatory turnover tax (*Umsatzausgleichsteuer*) on imported printed matters such as books, periodicals, etc. Before that time the tax was based on the invoice price which is the contractual price that the foreign printers charge to their German clients, whereas at present the compensatory turnover tax is based on the wholesale price, i.e. the ultimate retail price reduced by a fixed percentage.

"The practical effect of this change is that the copyrights of the German publishers and some other cost price elements are included in the taxable value of the imported printed matter.

"The result of this measure was that the amount of turnover tax levied on the imported product was raised to an amount considerably higher than the amount that would constitute the incidence of the turnover tax on the same printing order under similar conditions when placed with a German printing house.

"The existence of this unequal application of turnover tax was deemed in accordance with German law by the Federal Finance Court in Munich, which thus reversed an earlier verdict by the Finance Tribunal in Düsseldorf. The latter had ruled that the invoice value should be - as it is in the case of similar transactions inland - the basis of taxation.

"It should be mentioned that since December 1955 the Federal Finance Authorities have temporarily suspended the collection of the additional tax resulting from the new valuation method. This suspension, which has to be applied for in each separate case and which is not likely to be continued if the decision of the Federal Finance Court is upheld, does not, however, safeguard the interested parties from posterior claims to the amounts of tax thus not collected. In view of this fact it is not surprising that German publishing houses show great hesitancy in placing new orders abroad.

"The Netherlands Government feels justified in bringing this state of affairs, considered not in accordance with the principles set forth in Article III, to the attention of CONTRACTING PARTIES."