

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/3518/Add.9
14 November 1973

Limited Distribution

Original: English

NOTIFICATION OF CHANGES IN TAX ADJUSTMENTS

Addendum

UNITED KINGDOM

This notification is made pursuant to paragraph 40 of L/3464.

The following changes in indirect taxation were announced by the Chancellor of the Exchequer in his Budget Statement to the House of Commons on 6 March 1973, and were embodied in the Finance Bill. This has now received the Royal Assent, and a copy of the Finance Act 1973 is enclosed.¹

1. In accordance with the provisions of the Finance Act 1972 on 1 April 1973 purchase tax was abolished, and a value added tax, together with a special tax on certain motor vehicles came into operation. The rates in force corresponded with those provisionally set in the Finance Act 1972:

<u>VAT</u>	<u>Car tax</u>
10%	10%

2. Several minor alterations in the machinery of VAT and car tax as established by the Finance Act 1972, took effect on 1 April 1972, and are embodied in the Finance Act 1973. These include:

(a) a provision in Section 9 that chargeable vehicles which have been exported under relief from car tax should be treated on re-importation in the same way as foreign manufactured vehicles being imported into the United Kingdom for the first time under paragraph 7 of Schedule 7 of the Finance Act 1972.

(b) by Section 7, the provision in Section 24 of the Finance Act 1972, whereby when a taxable agent imports and supplies goods on behalf of a principal who is not a taxable person, the agent may himself be treated as though he had imported and supplied the goods as principal has been extended to include an agent acting for a taxable person.

¹ Available for consultation at the GATT secretariat

3. Certain alterations in the coverage of VAT were announced by the Chancellor of the Exchequer in his Budget Statement, and embodied in Statutory Instruments, copies of which are enclosed.¹ These include:

(a) the zero rating of all food of a kind sold in shops for human consumption [SI 1973 No. 386]

(b) the zero rating of young-children's clothing and footwear [SI 1973 No. 387]

(c) certain special reliefs for supplies by charities, including the relief of goods exported by them [SI 1973 No. 385]

4. Section 4 of the Finance Act 1973 embodies the provision announced by the Chancellor of the Exchequer in his statement of November 1972 for the rebatement of purchase tax or duty paid on stocks held at the commencement of VAT, on which VAT or car tax would be payable.

5. Section 1 of the Finance Act 1973 provides for alteration in the rates of customs and excise duties on beer, wine, British wine, spirits, tobacco, matches and mechanical lighters (and in the case of beer and tobacco, corresponding drawback rates). The rates which came into force on 1 April 1973, are set out in Schedules 1-7, of the Finance Act 1973. These changes broadly compensate for the imposition of VAT at the standard rate on these items and also provide for the first stage in the adjustments in the protective elements in the rates of customs duties on revenue goods required under the Treaty of Accession to the European Economic Community. Power has also been taken under Section 1 of the Finance Act 1973, for the Treasury to make by Order such further changes in rates of duty and corresponding drawback as are required to fulfil any obligation to the Community under the Treaty of Accession, to countries associated with the Community under EEC preferential trading agreements, and to the former countries of the European Free Trade Association under the Geneva Protocol of 21 December 1972.

¹ Available for consultation at the GATT secretariat

