

GENERAL AGREEMENT ON

RESTRICTED

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TARIFFS AND TRADE

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UNITED STATES - TAX REFORM LEGISLATION FOR SMALL PASSENGER AIRCRAFT

Recourse to Article XXIII:2 by the European Economic Community

The following communication, dated 6 April 1987, has been received from the Commission of the European Communities, with the request that it be circulated to contracting parties, and with the indication that the Community intends to raise this matter under "Other Business" at the Council meeting on 15 April 1987.

The European Communities wish, in pursuance of Article XXIII:2 of the General Agreement, to refer to the CONTRACTING PARTIES the question of the transition rules of the United States tax reform legislation applicable in respect of small passenger aircraft.

According to these rules, certain aircraft (with 19 or fewer passenger seats) are, for fiscal year 1987, not subject to the general abolition of the investment tax credit and accelerated depreciation provisions on condition that:

- (a) the aircraft is manufactured in Kansas, Florida, Georgia or Texas;
- (b) the aircraft was in inventory or in the plant production schedule of the final assembly manufacturer, with offers placed for the engines on or before 16 August 1986;
- (c) the aircraft is purchased or subject to a binding contract on or before 31 December 1986 and is delivered and placed in service by the purchaser before 1 July 1987.

These exemptions give United States manufacturers substantial marketing advantages over foreign suppliers. In the view of the European Communities, such exemptions are inconsistent with Article III, paragraph 4 of the General Agreement in that they fail to provide treatment no less favourable than that accorded to like products of national origin for aircraft of the type in question manufactured in the European Community.

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These exemptions are prejudicial to EEC exports of the aircraft concerned to the United States market and have been the subject of recent consultations with the United States under Article XXII:1. These consultations have failed to yield a satisfactory settlement of the matter.

Consequently, the European Communities request the Council of Representatives, at its meeting of 15 April, to establish a panel to examine this matter.