

## CONTRACTING PARTIES

Tenth Session

### SUMMARY RECORD OF THE FIFTH

#### MEETING

Held at the Palais des Nations, Geneva  
on Tuesday, 1 November 1955, at 10.00 a.m.  
SR.10/5

Chairman: Mr. L. Dana WILGRESS (Canada)

- Subjects discussed:
1. 1956 Negotiations [NOT REPRODUCED]
  2. French Stamp Tax
  3. Italian Turnover Tax [NOT REPRODUCED]
  4. Rhodesia - Nyasaland Tariff and South Africa -  
Southern Rhodesia Customs Union [NOT REPRODUCED]

#### 2. French Stamp Tax (L/410)

The CHAIRMAN referred to the complaint at the last Session about the increase in this tax, which had been withdrawn following a statement by the French representative that the tax was not higher than required to cover the costs of services rendered. The stamp tax had again been increased, and the United States had complained that this was a violation of the provisions of Article II and contrary to Article VIII if the proceeds of the tax exceeded the cost of services rendered.

Mr. PHILIP (France) referred to the discussion at the Ninth Session (SR.9/28, page 4) when he had explained that the increase was justified by the need to ensure that receipts covered the costs of services rendered at the time of importation. This requirement justified fixing the tax at a rate of 2 per cent. The French delegation did not deny that the new increase, which raised the tax to 3 per cent, was in contradiction to the undertakings under the Agreement, all the more so in that the receipts of the increase were used not to pay for services but were applied to the budget for agricultural family allowances. This increase was decided upon in exceptional circumstances when it had been necessary to find a means of financing the budget for agricultural family allowances and no possibility was seen in the normal methods. The increase was thus provisional and exceptional. Mr. Philip did wish to add that, although a contravention of the Agreement was involved, the scope was relatively restricted. The tax was assessed not on the value of the imported merchandise but on the customs receipt for the import and export duties and taxes. If the general level of tariff protection in France was of the order of 20 per cent, the tax increase would amount, therefore, to raising the general level by approximately 0.2 per cent, which did not seem to be of a nature seriously to damage the interests of contracting parties nor alter the channels of trade. It was the intention of his Government to resume as soon as possible normal financial methods for the agricultural family allowances, but he could not in the present circumstances indicate when this would occur. The 1955 budget having been adopted so late, it had been decided simply to repeat it for 1956. However, the French Government had declared to the Assembly that a draft revision of the whole method of financing agricultural family allowances would be submitted for the approval of Parliament. In these conditions he could only assure the CONTRACTING PARTIES that his Government was aware of the urgency and importance of this problem and would resolve it as soon as it was possible to do so.

Mr. LEDDY (United States) said that the statement of the French representative confirmed their

impressions as to the status of the tax under the Agreement. He would ask that the inconsistency of this measure with the Agreement be recorded and that the CONTRACTING PARTIES note the statement of the French intention to remove the inconsistency. He assumed that they would also request the French Government to report on progress.

The CHAIRMAN said that the French representative had given the reasons leading his Government to increase the stamp duty to 3 per cent and had stated their awareness that the measure was inconsistent with their obligations under the General Agreement, pointing out at the same time that the increase amounted to a small addition to customs protection of the magnitude of about 0.2 per cent, which would not appear to affect substantially the interests of contracting parties.

The CONTRACTING PARTIES took note of the undertaking of the French Government to cancel the measure as soon as practicable and invited the French Government to submit a report before the next Session regarding action taken to remove the measure which was inconsistent with the obligation of the French Government under the General Agreement.

The meeting adjourned at 12.30 p.m.