Tables 1 and 2 of Exhibit A are based on tax rates and do not show the net corporate tax burden as a percentage of corporate earnings. Therefore, they do not purport to make a comparison between the corporate tax burden in these countries and that in the U.S. Unfortunately, data that are comparable as between countries and that would show this net tax burden do not exist. Because of differences in accounting practices and in allowable deductions for business expenses, depreciation allowances, etc., we have not been able to obtain these data. Tables 1 and 2 are of value primarily as an indication that there exist significant direct corporate taxes that foreign countries could adjust for at the border. They do not show what countries would obtain a net competitive advantage as a result.

Table 3 of Exhibit A shows that the share of corporate profits taxes in GNP differs widely among countries, with the U.S., Canada, and Japan ranging between 4 and 5 percent and the EEC countries between 2 and 3 percent. Again, these figures do not reflect effective tax rates on those companies engaged in or affected by international trade.

Exhibits B, C, and D provide useful analyses of the differing economic effects of sales taxes, turnover taxes, and value-added taxes, with an explanation of the domestic reasons the EEC countries are converting from turnover taxes to value-added taxes.

Finally, Exhibit E tabulates the indirect business taxes of European countries that are not compensated at the border. It throws some light on the additional charges that might be imposed on U.S. exports if the international rules governing compensation for indirect taxes at the border were to be liberalized.

EXHIBIT A

TABLE 1.—*Maximum tax rates by central governments on undistributed corporate profits, 1968*

	Percent
Austria	53.24
Germany	52.53
Canada	50.
France	50.98
United States	48.
Netherlands	46.
United Kingdom	42.50
Australia	42.50
Sweden	40.
Belgium	35.
Japan	[1] 35.
Norway	30.
Italy	[2] 27.50
Switzerland	7.20

[1] There is an additional tax in Japan up to 20 percent on retained profits of closely held corporations.

[2] In addition, in Italy there is a 16.5 percent tax on profits in excess of 6 percent of taxable assets.

Source: First National City Bank Monthly Economic Letter, May 1968.

TABLE 2.—TAXATION BY CENTRAL GOVERNMENTS OF CORPORATE PROFITS DISTRIBUTED AS DIVIDENDS

[In percent]

	Maximum rate paid and withheld by corporation	Credit allowed individual shareholder
France	50.00	50.00
Switzerland	35.04	[1] 30
Belgium	44	[2] 29
Netherlands	59.50	[1] 25
Germany	[3] 43.11	[1] 25
Canada	50	20
Japan	37.10	[1] 15
Italy	20.68	[1] 5
United Kingdom	41.25	0

[1] Deducted at source and credited to individual shareholder.

[2] Of this, 20 percent is deducted at source.

[3] Ignoring the variable effect on the tax base of property tax on net worth.

Source: First National City Bank Monthly Economic Letter, May 1968.