

In practice, greater consequences to international trade will probably follow from changes in border tax adjustments resulting from changes in domestic taxation. The most important of these are likely to result from the change from the cascade tax to a value-added tax by the countries of the EEC. While it should be emphasised that the change of the EEC countries to a value-added tax is partly to harmonise the indirect tax system of the Six and partly because the cascade system favours integrated enterprises and allows border tax adjustments to be calculated only on an approximate basis, so that the probable devaluation effects of the change will be largely accidental, they may nevertheless be considerable. It has unofficially been estimated, for example, that the proposed change in Germany, which will take effect on 1st January, 1968, may have the effect of a 3 to 4 per cent devaluation of the mark.

Apart from the changes contemplated by EEC countries changes in international trading positions may also occur through the effect of increased border tax adjustments, resulting from a reduction in rates of direct taxes or social security charges combined with an increase in consumption taxes. The effects this time are less clear, however, because they depend upon suppositions about tax shifting discussed above.

Extreme remedies to these probable disturbances in trading positions have been generally considered to be out of place. Fiscal changes may be made to raise revenue, for growth or income distribution or other purposes, and to attempt to restrict fiscal freedom in the interests of maintaining existing border tax adjustments seemed undesirable as well as impractical. Solution by general harmonisation of tax systems of Member countries appears unrealistic at this stage for similar reasons, and as mentioned above, so does the formulation of entirely new border tax adjustment rules to replace those accepted in the GATT.

2. SIMPLIFIED ANALYSIS OF TAXE OCCULTE

(Tax on goods and services used in the production of other goods)

Country	Auxiliary materials		Capital equipment		Services	
	Whether taxed	Whether any tax refund for exports and equalisation tax on imports	Whether taxed	Whether any tax refund for exports and equalisation tax on imports	Whether taxed	Whether any tax refund for exports and equalisation tax on imports
AUSTRIA	○	●	○	●	○	●
BELGIUM	○	●	○	■	○	■
CANADA (Federal)	●	■	●	■	○	■
FRANCE	● ¹	■	● ¹	■	● ¹	■
GERMANY	○	●	○	●	○	●
ICELAND	○	■	○	■	○	■
IRELAND	□ ²	■	□ ²	■	□ ²	■
ITALY	○	●	○	●	○	●
JAPAN	□	■	■	■	■	■
LUXEMBOURG	○	▲ ³	○	▲ ³	○	▲ ³
NETHERLANDS	○	●	○	■	○	■
NORWAY	□	■	○	■	●	■
PORTUGAL	■	■	■	■	■	■
SWEDEN	●	■	○	■	○	■
SWITZERLAND	●	■	○	■	■	■
UNITED KINGDOM	□	▲	□	▲	■	■
UNITED STATES (Federal)	□	■	□	■	■	■

● yes	■ no
○ usually	□ rarely
● sometimes	■ never
▲ only for exports	

1. Taxable: but with certain exceptions tax is subsequently deducted.
2. Normally taxed: but tax is not paid when used by registered traders.
3. There is a small refund to cover tax previously borne, which may cover in part "taxe occulte".