

Work in OECD on this question

In March 1965 a Working Party of the OECD Council was set up to consider the questions raised by border tax adjustments in the light of a fact-finding report on the subject by the Secretariat and a discussion of the economic rationale of existing border tax adjustment arrangements, by a symposium of economists. Broadly they came to the conclusions outlined above that while it was unclear whether or not existing border tax adjustment arrangements placed countries with certain tax structures at a competitive disadvantage as regards international trade, permitted changes in border tax adjustments could have repercussions on trading positions.

For the reasons indicated above, the Working Party did not consider themselves justified in recommending such radical proposals as harmonisation of the tax structures of Member countries or changes in existing border tax adjustment practices, but they agreed that a country should have the right to request consultation when it considered that its trade interests were affected as a result of a change or proposed change in the border tax adjustments of another Member country. The Working Party accordingly recommended that a consultation procedure be established for an experimental period of two years.

While recognising that the question of consultation before a change was put into effect could raise political and constitutional difficulties, the Working Party considered that such prior consultation should take place whenever possible, so that the views of governments who felt that they would be adversely affected by the proposed change could be fully taken into account by the government proposing the change. It was agreed that such consultation should be confined to the general policy implications concerning the international trade and payments effects of changes in border tax adjustments and that the domestic reasons for changes in taxation should be outside the scope of the consultation procedure.

The Working Party also recommended that all important changes in border tax adjustments should be notified to OECD as soon as they were made known to the public of the country concerned and that the Secretariat should bring up-to-date their 1964 fact-finding report. These recommendations were endorsed by the Fiscal Committee and Trade Committee of OECD and adopted by the Council on 21st February, 1967.

EXHIBIT E

INDIRECT BUSINESS TAXES IN SELECTED EUROPEAN COUNTRIES NOT REBATED ON EXPORTS OR IMPOSED ON IMPORTS ¹

BELGIUM

Tax	Base	Rate
1. National and local property tax (not clear whether considered a property or an income tax).	Cadastral income from real property..	Total range 20 to 25 percent of base.
2. Tax on royalty agreements.....	Contracts made in Belgium for licensing of intangible assets as patent rights and trademark.	7 percent.
3. Tax on transport contracts.....	Contracts for transport and certain other ancillary services to transport in Belgium.	Do.
4. Excises.....	Beer, spirits, tobacco, mineral oil, sugar, etc.	Do.
5. Local tax on motive power.....	Indicated power of electric motors....	150 to 250 frs. per kilowatt.
6. Local tax on numbers employed...	Number of employees on fixed annual date.	Generally 200 frs.
7. National and local motor vehicle tax.	Horsepower.....	Varying amounts.
8. Registration duties.....	Business capital.....	2.5 percent.
9. Do.....	Real property.....	12.5 percent.

See footnote at end of table.