

Mr. BYRNES. Yet it is supposed to be an outgrowth of a tax problem.

Ambassador ROTH. They don't apply it to the same extent to certain, as I remember, heavy products.

Mr. MALMGREN. Mr. Congressman, as to the change over in the EEC to the tax on value added, all the countries are moving toward it. Once that tax is in force, they will tax all products crossing the border, in the same way they would tax their domestic products.

Mr. BYRNES. But they apply it generally now, don't they, since the first of the year, in Germany?

Mr. MALMGREN. In Germany?

Mr. BYRNES. Doesn't Germany also except some items?

Mr. MALMGREN. Not under the new TVA system.

Mr. BYRNES. The new what?

Mr. MALMGREN. The new tax on added-value system does not exempt products.

Mr. BYRNES. For instance, does commercial aircraft pay the border tax?

Mr. MALMGREN. I am sorry, Mr. Byrnes. We will check that.

To our knowledge, the tax is paid unless the tax is not paid on the domestic product or its components coming through the system.

We will check on that.

Mr. BYRNES. I thought the tax was generalized to apply broadly as a part of German tax policy. It is then applied at the border, as part of tax policy.

I also have some information that there is sometimes selectivity at the border. When they do that it is very close to a duty or a tariff, rather than just a tax policy.

Ambassador ROTH. In the previous system, the turnover tax, there was some selectivity, but the whole point of the new system, as I understand it, is that it will be generalized across the board.

Mr. BYRNES. It is not a question of what will be. It went into effect on January 1, as I understand it.

Ambassador ROTH. Yes, it will be. We will check on this.

Mr. BYRNES. I would like to know whether or not this applies on everything, or whether there is a selectivity. Can exemption be granted to the border tax?

Ambassador ROTH. To the best of our knowledge, there is not, but we will check.

(The following information was received by the committee:)

SELECTIVITY OF THE GERMAN VALUE-ADDED TAX

1. There are only three cases in which commercial importations are exempt from the German value-added tax (TVA):

- (1) Sea-going vessels (Ex Tariff Nos. 89.01 8-8 and Ex 8902 of the German Tariff Schedule);
- (2) Securities, shares in corporations and other associations, legal currency, and domestic official stamps; and
- (3) Blood plasma.

These products are also free from TVA internally.

2. Government purchases are not exempt from the TVA. The citation of commercial aircraft may be the result of a misunderstanding between "Duty" and "Tax". Commercial aircraft over 15,000 KG may be imported at present free of customs duty but not free of TVA into the Federal Republic.