

BRAZILIAN INTERNAL TAXES

*First Report adopted by the CONTRACTING PARTIES on 30 June 1949*

*(GATT/CP.3/42 - II/181)*

1. The working party examined the question of internal taxes imposed by the Government of Brazil, in order to determine whether these were consistent with Brazil's obligations under the General Agreement.

2. Details of the taxes in question were furnished by the Brazilian delegation.

3. With the agreement of the Brazilian representative, the working party decided to adopt, as the basis for its examination, the text of Article III of the General Agreement as modified by the protocol amending Part II and Article XXVI. At the time of examination, Brazil was bound by the provisions of the original and not of the amended text, but it

      eed that a contracting party was bound by the provisions of Article III whether or not the contracting party in question had undertaken tariff commitments in respect of the goods concerned. The delegates of Brazil and India qualified their agreement by the statement that the obligations of Article III applied only in respect of goods exported by other contracting parties.

5. The working party then considered the Brazilian Law 7404 of 1945. The Brazilian delegate agreed that the law imposed taxes which discriminated between products of national origin and like products supplied by other contracting parties, but pointed out that, during the period of provisional application, the application of the provisions of Article III of the Agreement was limited by the Protocol of Provisional Application in the sense that contracting parties were obliged to apply the provisions of Part II of the Agreement only "to the fullest extent not inconsistent with existing legislation". The Brazilian delegate informed the working party that any change in the rates of tax established by this law could not have been effected by administrative action, but would have required amending legislation to be enacted by the Brazilian Congress. The working party therefore concluded that in view of the mandatory nature of Law 7404 the taxes imposed by it, although discriminatory and hence contrary to the provision of Article III, were permitted by the terms of the Protocol of Provisional Application and need not be altered so long as the General Agreement was being applied only provisionally by the Government of Brazil.

6. The working party then examined Law No. 494 of 1948, and first considered two particular taxes established by it, relating to *conhaque* and clocks and watches respectively.

7. With reference to amendment No. 7 made to Brazilian internal taxes by Article I of Law No. 494 of 1948, the Brazilian delegate explained that this amendment concerned beverages containing aromatic or medicinal substances and known as tar, honey or ginger *conhaque*, which were quite different from French cognac. He gave an assurance that the authorities responsible for administering the taxes were able to distinguish between those products (which were of strictly local origin and subject to a tax of 3.60 cruzeiros per litre) and cognac imported from abroad. He made it clear that home-produced beverages similar to the cognac produced abroad were subject to the tax of 18 cruzeiros per litre. The members of the working party accepted this explanation, since the Brazilian delegate gave an assurance that careful instructions would be sent to the authorities administering the taxes, concerning the distinction to be drawn between these various products.



merely referred to certain other types of taxes which were proscribed by Article III because of the protective results which might occur.