

JAPAN - TAXES ON ALCOHOLIC BEVERAGES

Request for Consultations by Canada

The following communication, dated 7 July 1995, from the Permanent Mission of Canada to the Permanent Mission of Japan is circulated at the request of the Permanent Mission of Canada.

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The Government of Canada requests consultations with the Government of Japan pursuant to paragraph 1 of Article XXII of the General Agreement on Tariffs and Trade 1994 regarding certain liquor taxation laws. These laws include, but are not limited to, the Japanese Liquor Tax Law, as amended, pursuant to which tax rates are levied on certain domestic and imported alcoholic beverages.

The products concerned are shochu and all other distilled spirits and liqueurs falling with HS 2208.20 ("Spirits obtained by distilling grape wine or grape marc"), HS 2208.30 ("whiskies"), HS 2208.40 ("rum and tafia"), HS 2208.50 ("gin and geneva") and HS 2208.90 ("other" including fruit brandies, vodka, ouzo, korn, cream liqueurs and "classic" liqueurs).

The Government of Canada understands that Japan has amended the Japanese Liquor Tax Law following the General Agreement on Tariffs and Trade 1947 Panel Report Japan - Customs Duties, Taxes and Labelling Practices on Imported Wines and Alcoholic Beverages (L/6216) that was adopted by the CONTRACTING PARTIES on 10 November 1987. However, under the amended liquor taxation law, Japan still imposes higher rates of taxation on imported alcoholic beverages including whiskies, brandies, other distilled alcoholic beverages and liqueurs than on Japanese shochu.

The Government of Canada considers that the Liquor Tax Law, as amended, is inconsistent with the obligations of Japan under the General Agreement on Tariffs and Trade 1994. The provisions of this Agreement with which the liquor taxation law is inconsistent include, but are not limited to, Article III:2 of the General Agreement on Tariffs and Trade 1994.

Consequently, the Government of Canada considers that the Japanese Liquor Tax Law, as amended, nullifies and impairs the benefits accrued to Canada under the General Agreement on Tariffs and Trade 1994.

In accordance with Article 4 of the Understanding on Rules and Procedures governing the Settlement of Disputes, the Government of Canada requests consultations with the Government of Japan to discuss this matter with the intention of reaching a mutually satisfactory result.