

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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UNITED STATES - TAX REFORM - TRANSITIONAL RULES

Request for Article XXII:1 Consultations by the EEC

The following communication, dated 1 December 1986, has been received from the EEC.

I have been instructed by my authorities to request, on behalf of the European Communities, consultations with the Government of the United States under Article XXII:1 of the General Agreement in respect of the transition rules to the Tax Reform legislation for small passenger aircraft.

According to these rules, certain aircraft (with 19 or fewer passenger seats) are, for fiscal year 1987, not subject to the general abolition of the investment tax credit and accelerated depreciation provisions on condition that:

- A. the aircraft is manufactured in Kansas, Florida, Georgia or Texas;
- B. the aircraft was in inventory or in the plant production schedule of the final assembly manufacturer, with offers placed for the engines on or before 16 August 1986;
- C. the aircraft is purchased or subject to a binding contract on or before 31 December 1986 and is delivered and placed in service by the purchaser before 1 July 1987.

This exemption gives US manufacturers substantial marketing advantages over foreign suppliers. In the view of the European Communities, such exemption is inconsistent with Article III, paragraph 4 of the General Agreement in that it fails to provide treatment no less favourable than that accorded to like products of national origin for aircraft of the type in question manufactured in the European Community.

It is the wish of the European Community that these consultations be started urgently and in any case before 19 December.