

CHILE - TAXES ON ALCOHOLIC BEVERAGES

Communication from Chile

The following communication, dated 1 February 2000, from the Permanent Mission of Chile to the Dispute Settlement Body, is circulated at the request of Chile.

As provided for in Article 21.3 of the Dispute Settlement Understanding (DSU), Chile hereby informs the Dispute Settlement Body of its intentions in respect of implementation of the Dispute Settlement Body's recommendations on its internal system of taxation on alcoholic beverages.

Mindful of its international obligations, the Government of Chile has already begun a process of studying the possible alternative for adjusting our tax system. As this process is still under way, it is for the time being impossible to provide detailed information on the type of adjustment that will finally be adopted. Nevertheless, it should be recalled that the Appellate Body stated that "*Members of the WTO are free to tax distilled alcoholic beverages on the basis of their alcohol content and price, as long as the tax classification is not applied so as to protect domestic production over imports*" (paragraph 60). This important statement, which fully recognizes the WTO validity of *ad valorem* tax systems, will be duly taken into account by the Government of Chile in designing the required adjustments.

It should also be pointed out that any change in the tax structure is a matter of law in Chile and must therefore be examined and approved by the National Congress. Consequently, Chile will need a reasonable period of time, as provided for in Article 21.3 of the DSU, in order to implement fully the recommendations adopted by the Dispute Settlement Body. To this end we intend to hold consultations as rapidly as possible with the European Communities in order to agree on this period of time.

I should be most obliged if you would arrange for this statement to be circulated as an official WTO document for the information of its Members.
