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FOR IMMEDIATE RELEASE

# COMMON MARKET BEGINS TO UNIFY TAX SYSTEMS

WASHINGTON, D.C., February 10 -- The European Economic Community's Council of Ministers adopted yesterday directives to harmonize the Common Market's business taxes.

By January 1, 1970, a single tax on the value added at each stage of manufacture and distribution will replace the "cascade" taxes used in Belgium, the Federal Republic of Germany, Italy, and Luxembourg, and the Netherlands. The present French "value-added tax" will be aligned with the Community system. "Cascade" or cumulative taxes are assessed on the total value of an article each time it changes hands, from the time a processor purchases raw materials until sale of the finished product to the retailer.

Fiscal neutrality will result from the value-added tax, benefiting small businesses as well as large integrated companies. "Cascade" taxes encouraged vertical integration to escape multiple taxation and discourage specialization in narrow fields. The value-added tax system will make it economical for companies to specialize. These effects will be especially important to service and secondary manufacturing industries.

The new system will also allow taxes in intra-Community trade, which had to be estimated previously, to be calculated exactly, thus eliminating distortions of competition. In addition, Community businessmen will have to deal with one turnover tax system, instead of six.

The introduction of the value-added tax system will put the goal of a single domestic market within reach. Identity of tax rates will be the next step. The disappearance of tax differences will eliminate the need for customs formalities at the borders between member states, tax refunds for exports and the imposition of local taxes after customs entry.

The member states must revise their tax laws in time for the value-added tax system to come into force by January 1, 1970. The new tax will be paid on all deliveries of merchandise and services in the Community and on merchandise imports through the wholesale stage.

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