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VAT on imports might violate UN agreement

The value added tax imposed on imports could be a violation of an international United Nations agreement to encourage the free flow of ideas and should be withdrawn, according to business and education analysts.

The VAT on imports introduced by Finance Minister K. N. Choksy in the government's budget covers imports of educational material with a 10 percent tax on magazines and journals and 20 percent for other items.

"Apparently the Choksy team has missed a very important Agreement known as the Florence Agreement

of 1950 on the importation of educational, scientific and cultural materials of which Sri Lanka became the 4th signatory in 1952 - just two years after it was signed," one analyst said.

The government should waive the customs duty on all educational and cultural material that are included in the Florence Agreement, extending it towards electronic carrier media as well, she said.

Under the Florence Agreement, the contracting States undertake not to apply customs duties or other charges on the importation of books, publications and documents

other than stationary and those used for advertising.

It also eliminates customs duty on films and scientific equipment, and educational, scientific and cultural materials, such as works of art and collectors' pieces of an educational, scientific or cultural character including paintings.

Following protests from education officials, the Finance Ministry issued a fresh Revenue Protection Order (Customs Tariff) withdrawing the 1.6 percent Customs Duty imposed on imports of books and documents as well as software from India and the two percent duty on

such items from elsewhere. But the VAT on these items still remains.

Analysts said it was amazing that Ministers Choksy and Gunawardena were unaware of international clauses and agreements or were not told of these by officials before introducing a budget to Parliament.

"No budget should lead to the withdrawal of any clauses introduced by the Minister of Finance presenting the budget," the analyst noted. "Why? Because careful study should have gone into its preparation."

The Florence Agreement led to an increase in the international circu-

lation of cultural goods.

This is due not only to the role that these products play in spreading knowledge of a world which is more and more technologically inter-linked, but also to their growing share of international trade at a time of economic globalisation.

The provisions of the present World Trade Organisation, which replaced the GATT and which also covers international trade in objects protected under intellectual property agreements, have given new life to the Florence Agreement.