

Free japan taxes on alcoholic beverages case study example

[Law](#), [Court](#)



Facts

Japan, in the implementation of the Japanese Liquor Taxes Law, sought to impose higher taxes on the foreign manufactured spirits and alcoholic products as opposed to the lower taxes on the locally produced shochu. The complainants who included the European Union, Canada and the United States of America sought an interpretation of the General Agreement on Tariffs and Trade (GATT) and in particular four provisions on the issues of taxation of products.

Procedural History

The case was first heard by the Disputes Settlement Body of the World Trade Organization and appealed against at the Appellate Body of the same institution.

Issues

The issues resonated around the interpretation of a few provisions of the GATT. These included what like products were, what similar or substitutable products and the meaning of taxation in excess and the meaning of so as to afford protection. These issues were fundamental in ascertaining whether the direction Japan had taken in imposing higher taxes on the foreign beverages was justified and within the legal purview.

Holding

One set of beverages was held to be like products and that in light of the provisions of the GATT, Japan was in violation of the law by the imposition of higher taxes. In addition, the Court held that another set of beverages that

was not in the category of similar products was in the category of directly competitive products and or substitute products and that according to the provisions of the GATT, the same was supposed to be taxed similarly.

Reasoning

The Court's reason arose from the interpretation of the provisions of the GATT. The Court stressed on the need to actualize the GATT provisions so as to protect trade among member states. The Court was of the opinion that since the GATT provided that direct products are taxed in the same way, it was illegal for Japan to impose higher taxes on imported beverages, an act which was interpreted as being a veiled form of protectionism.

Decision

The Dispute Settlement Body upheld the contention by the complainants, a decision that was upheld by the appellate body.

References

Althunayan, T. (2010). *Dealing with the Fragmented International Legal Environment: WTO, International Tax and Internal Tax Regulations*. New York: Springer.

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