

Foreign Sales Corporations / Extraterritorial Income Exclusion

AmCham Germany and BritishAmerican Business Inc Urge Swift Compliance with WTO Ruling

London, England and Berlin, Germany– 23 February 2004 – AmCham Germany, together with BritishAmerican Business Inc (BABI) of London and New York, encourage the United States Congress to comply as quickly as possible with the World Trade Organization (WTO)'s ruling on foreign sales corporations.

The WTO has ruled that the Extraterritorial Income Exclusion Act of 2000, most commonly known as "Foreign Sales Corporations", constitutes an export contingent subsidy and is incompatible with WTO regulations. Furthermore, the WTO has granted the EU the authority to impose sanctioning tariff on incoming US products up to \$4 billion, until the US brings its laws into harmony with WTO rules.

If the US has not complied with the WTO ruling by 1 March 2004, the EU will impose duties of 5 per cent on a number of US products entering the EU and will continue to automatically increase these duties by 1 per cent on a monthly basis, up to 17 per cent in March 2005.

AmCham Germany and BABi believe that a proper response to the WTO orders would be to consider overdue tax reforms through restructuring the international provisions of the US tax code and converting the US tax system to one based on territoriality. This would provide incentives for US firms, now incorporated in the US, to remain and still allow all businesses the flexibility to incorporate where they choose, without the imposition of economic penalties upon the exercise of prudent business decisions. It would likewise maintain the level playing field currently enjoyed by US businesses that are active in the international market.

At the same time, AmCham Germany and BABi call on the EU to signal flexibility, recognising the US's need for a transitional period in altering its tax code. The US and EU economies are greatly dependent upon one another and any protracted imposition of punitive duties can only harm both economies in the long run.

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Notes to Editors

AmCham Germany and BritishAmerican Business Inc are the two most influential transatlantic business organisations, helping their member companies build and expand their international business while strengthening economic relations between the US and Europe.

More about...

BritishAmerican Business Inc (BABI)

BritishAmerican Business Inc of New York and London (BABI) provides its members directly with a range of targeted business services focused on business development, business intelligence and networking, and with access to broader business networks in more than 60 other major cities throughout North America and Europe.

BABI incorporates the British-American Chamber of Commerce (New York/London) and the American Chamber of Commerce (UK), which merged in September 2000 to create a stronger transatlantic business organisation.

AmCham Germany

AmCham Germany's goals additionally include strengthening German-American economic relations and promoting Germany as an investment location. The chamber also serves as a link to investors in the United States. AmCham Germany celebrated its 100th anniversary in 2003.

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