

**Meeting - Ministry of Finance
14 July 1994**

Present: Mrs Irina Golysheva
DJ Bishop
JD Selby
Soukrob - translating

Mrs Golysheva had three questions on BAT recommendations:

1. How will "countervailing tax" be collected §4(iii)
2. Who will pay tax on imports and how
3. Practical difficulty of collecting revenue during interim stage before tax stamps/markers Mrs Golysheva accepted that equal indirect tax rates be applied to imports and domestic and that 90% tax rate could not be applied (being too high). She would recommend 40% filter, 25% non filter (including papyrossi) plus 20% VAT.

DJB agreed to draft some suggestions for inclusion in the reply of Ministry of Finance to Cabinet of Ministers decree. This would address above questions.

15 July 1994

Present: AM Abdoukadirov
W Wells
J King
J Selby
D Bishop

DJB handed a copy of letter (attached) with comments for suggested reply from Ministry of Finance to Cabinet. DJB discussed the possible input of lower rates than 40%/25% suggested. It may be that the revenue collection could be enhanced, as a result of lower smuggling incidence, by this means e.g. rates of 30%/20%. AMD appreciated the point but said that it would already be hugely difficult to persuade Cabinet that reduction from 90% to 40% will be beneficial. (I appreciate it will be difficult - maybe we can try again when the experience of the effect of the lower rates is behind us. At least I believe AMA will not press for rates higher than 40%/25%).



19/7/94

503922518