that prices were affected by different production quantities. Indeed, Wieland's questionnaire response states unequivocally: ''Wieland does not provide price-based quantity discounts''.

The price list Wieland cites in this regard is not an adequate basis for this claim since it is a matter of record that the respondent's prices are negotiated *ad-hoc* and do not necessarily follow the price list. The verification report for a prior review, in which we noted variations in prices for varying quantities in one particular contract, is not dispositive; our inspection of a contract in a verification does not signal our acceptance of a claimed adjustment to price. Wieland has the burden, in each review, of showing how its actual prices varied according to quantity, as required by 19 CFR 353.55.

Value-added Tax

Comment 6: While conceding that the practice is consistent with current Department policy on value-added tax (VAT), Wieland contests the Department's application of a 14-percent VAT adjustment to both U.S. and home market sales in this review, and requests that the Department instead add the actual home market VAT amount to U.S. price. Wieland alleges that the use of the VAT rate on sales in both markets introduces a multiplier effect. Wieland urges the Department to instead adopt its alternative solution, at least until this issue can be resolved more definitively by the U.S. Court of Appeals for the Federal Circuit (CAFC), once an appeal is heard in the case of *Federal Mogul Corporation* v. *United States,* 834 F.Supp 1391 (Fed. Cir. 1993).

Department's Position: We disagree with Wieland. We adjusted U.S. Price (USP) and FMV for VAT in accordance with our practice, pursuant to the decision of the CIT in *Federal-Mogul Corporation and the Torrington Company* v. *United States,* 813 F. Supp. 856 (October 7, 1993) (*Federal-Mogul*) and as outlined in *Silicomanganese From Venezuela; Preliminary Determination of Sales at Less than Fair Value,* 59 FR 31204, June 17, 1994, where we address the multiplier effect issue in detail.

Comment 7: Citing 19 U.S.C. 1677a(d)(1)(C), the petitioners state that for U.S. sales not found to be sold at less than fair value, the Department must cap the absolute tax amount added to U.S. price, limiting it to the absolute amount of taxes in the home market. The petitioners argue that the absolute net U.S. price that becomes the denominator in our calculation of dumping duties is otherwise overstated, and that *ad valorem* margins are consequently reduced improperly.

The respondent, in rebuttal, argues that the petitioners cannot have it both ways, and that the Department cannot selectively apply the tax rate to sales which may have dumping margins and apply the absolute tax amount only to those sales which do not have margins.

Department Position: We disagree with the petitioners. The Department's methodology consists of applying the home market tax rate to the U.S. price at the same point in the chain of distribution at which the home market tax base is determined and then reducing the tax in each market by that portion of the tax attributable to expenses which are deducted from each price. For example, because we deduct ocean freight from U.S. price, ocean freight is also eliminated from the U.S. tax base. This is consistent with the decision of the CIT in *Federal-Mogul.* The effect of these adjustments is the same as initially calculating the tax in each market on the basis of adjusted prices.

The ''cap'' was devised at a time when the Department was not effectively calculating the tax in each market on the basis of adjusted prices. It was intended to keep differences in expenses which were eliminated through adjustments to the price in each market from continuing to affect the dumping margin by remaining in the basis upon which the tax in each market was determined. The Department's current practice of effectively using adjusted prices in each market as the tax base automatically achieves this purpose. The imputed U.S. tax will exceed the tax on home market comparison sales only where the adjusted U.S. price is higher than the adjusted home market price, *i.e.*, where there is no dumping margin. A tax cap is irrelevant for such sales, because no duties are assessed upon them and they do not contribute to the weighted-average margin. Consequently, the absolute margins obtained under the Department's current approach are identical to those which would have been obtained after imposing the tax cap.

Although applying a tax cap may affect the relative weighted-average margins, and hence deposit rates, we decline to reapply the tax cap solely to achieve this purpose. The Department includes the U.S. prices that exceed foreign market prices in the denominator of the deposit rate equation. It would be inconsistent to include that portion of the U.S. price that exceeds the home market price in that denominator, but to remove the tax on this amount. Just as we treat the tax on ocean freight consistently with ocean freight itself, where we include the full adjusted U.S. price in the denominator of the deposit rate equation, we must also leave the tax on that full U.S. price in the denominator.

Interest Rates Used in Credit Expenses

Comment 8: The petitioners claim that the Department should correct for Wieland's use of Wieland-America's short-term borrowing rate to calculate direct expenses for U.S. sales, since during the period of review U.S. customers were billed by Wieland-Werke in Germany. The petitioners argue that the U.S. imputed credit expenses should have been calculated on the basis of Wieland-Werke' short-term interest rates, rather than on the basis of Wieland-America's short-term interest rate.

The respondent argues in rebuttal that the Department correctly measured the cost of financing sales made in dollars by applying a dollar interest rate, citing Department policy in *Final Determination of Sales at Less than Fair Value: Fresh Cut Roses from Colombia,* 60 FR 6980, 6998 (1995) (Comment 21) (*Roses*). Wieland also notes that in *Final Determination of Sales at Less than Fair Value: Class 150 Stainless Steel Threaded Pipe Fittings from Taiwan* (59 FR 38432 (July 28, 1994) (*Class 150 Stainless Steel Pipe*), the Department stated that it ''is required to use the lowest rate at which the respondent has borrowed or to which the respondent has access.''

Department's Position: We disagree with the petitioners and concur with the respondent that it is reasonable to use local, dollar-denominated borrowing rates in this case. The respondent is correct in arguing that the interest rate used for credit expenses should match the currency in which the sales are denominated, as stated in *Roses*. On the question of whether the parent's or the U.S. subsidiary's dollar-denominated borrowing rate should be applied, where a company had access, directly or through its U.S. affiliate, to two different dollar-denominated rates, the lower of the two rates is presumed to have been used. See, for example, *Class 150 Stainless Steel Pipe,* where the Department calculated imputed credit for purchase price sales using the lower of two U.S. interest rates available to the respondent. In this case we are aware of only the U.S. subsidiary having U.S. borrowings during this POR. See also *Notice of Final Determinations of Sales at Less than Fair Value: Certain Hot-Rolled Carbon Steel Flat Products,*