merchandise in the home market was consistently much less than respondent had originally reported. In *Pet Film from Korea,* we accepted respondent's reported home market credit expenses and at verification we calculated all balances exclusive of non-subject merchandise. In that case, we also indicated that reliance on an average collection period method to determine home market credit expense is reasonable.

At verification of Chun Kee, Chung Woo, and Manho, we verified the amounts of total sales and receivables and found no discrepancies and have no reason to believe that the inclusion of sales not under review distorted the actual average credit period on the products under review. Moreover, it has been our practice to accept such calculations where we are satisfied that a company has provided us reasonable information, given its normal recordkeeping system. See Carbon Steel Flat Products from Korea. Therefore, we are accepting Chun Kee's, Chung Woo's, and Manho's calculations of home market credit expenses.

*Comment 7:* The Committee argues that six respondents incorrectly calculated the turnover ratio in their calculations of imputed credit by including value added tax (VAT) in the accounts receivable (AR) balance and the total home market sales amount. The Committee argues that the Department should revise the home market credit expenses for these respondents by excluding VAT. The Committee cites Pet Film from Korea and argues that the Department determined in that case that an adjustment for VAT payments was not warranted when the respondent did not pay the VAT to the government at the time of sale, but instead maintained a rolling account. Citing the LTFV Final Determination at 11032 for this case, the Committee asserts that the Department determined that the calculation of home market credit expenses inclusive of VAT was erroneous.

Respondents claim that they included the VAT both in the numerator and the denominator in the calculation of the turnover ratio, resulting in an "applesto-apples" ratio and the same results would be achieved by excluding VAT from total home market sales and the AR balance. They also argue that VAT is part of the actual sales price respondents charged to their customers and, therefore, they should receive an imputed credit expense on the VAT. They claim that removing the VAT would be equivalent to removing the profit from the sales price. They cite Color Television Receivers from Korea: Final Results of Antidumping Duty

*Determination*, 51 FR 41365 (November 14, 1986), to support their position that respondents justifiably may include VAT in their total sale price when calculating credit expense.

Department's Position: We disagree with the Committee concerning exclusion of VAT from the turnover ratio calculation. The respondents calculated the turnover rates reasonably, including VAT in the AR balance and the total home market sales amount, and, because VAT is included in both the denominator and the numerator of the turnover ratio, the resulting figure is not distorted. However, we agree with the Committee concerning the adjustment to FMV for the imputed VAT credit expenses. We find that there is no statutory or regulatory requirement for making the proposed adjustment. While we recognize that there may be a potential opportunity cost associated with the respondents' prepayment of the VAT, this fact is not sufficient for us to make an adjustment in price-to-price comparisons. Most charges or expenses associated with price-to-price comparisons are either prepaid or paid for at some point after the cost is incurred and they may each involve an opportunity cost or gain. Therefore, to allow an adjustment for the VAT in this case would imply that we make adjustments for every charge and expense reported by the respondents. Such an exercise would make our dumping calculations inordinately complicated, placing an unreasonable and onerous burden on both respondents and the Department (see LTFV Final Determination at 11032). Therefore, we have changed the final results and adjusted the credit expense to not include VAT for the final results, and we have not adjusted the potential opportunity cost related to each expense.

Comment 8: The Committee asserts that the Department must revise its calculations of the addition to United States price (USP) for Korean VAT. Although the Department stated that it had applied its methodology from Silicomanganese from Venezuela: Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination, 59 FR 31204 (June 17, 1994) (Silicomanganese from Venezuela), the Committee asserts that, for some respondents, the Department's calculations in this case contradicted Silicomanganese from Venezuela. The committee claims that, although the Department stated in Silicomanganese from Venezuela that the addition to USP should be the result of applying the foreign market tax rate to the price of

the United States merchandise at the same point in the chain of commerce that the foreign market tax was applied to foreign market sales, in the preliminary results the Department performed the VAT adjustment to the net unit price of subject merchandise. which includes an adjustment for duty drawback. The Committee argues that the addition of the amount for duty drawback to the base price against which the Department applied VAT was inconsistent with earlier determinations. In the Committee's view, the Department should not apply VAT to the duty drawback adjustment because respondents do not receive duty drawback on sales in the home market. Therefore, the Committee argues, to apply a VAT adjustment after adjusting USP for duty drawback ignores the importance of applying VAT at an analogous point in the chain of commerce. In addition, the Committee argues that the Department must limit the VAT adjustment to the USP at the absolute level of the VAT adjustment it applies to the home market price of the subject merchandise.

Respondents argue that the Court of International Trade has upheld the Department's decision to include duty drawback in the USP base to calculate the VAT adjustment in Avesta Sheffield v. United States, Court No. 93-01-00062, Slip Op. 94-53 (1994). They state that the Department, in that case, argued that it includes duty drawback in the U.S. base to avoid the creation of fictitious margins. Respondents argue that the cases the Committee cites are not relevant here and that they simply explain that the tax base for the U.S. sale should be calculated by applying the foreign market tax rate to the price of the United States merchandise at the same point in the chain of commerce that the foreign market tax was applied to the foreign market sale. The respondents interpret Section 772(d) (1)(B) of the Tariff Act to mean that USP is comparable to the home market price only when duty drawback is added to USP, since this is the price which is comparable to the home market price. Concerning the Committee's proposed limit on the VAT adjustment, the respondents argue that the CIT presently requires the Department to apply the home market tax rate to a U.S. tax base that is appropriately adjusted rather than adjusting for the absolute amount of the foreign tax. They further argue that it is not appropriate to limit the adjustment under the new methodology in which the Department applies the home market tax rate to the USP citing Zenith Electronics. Corp. v. United