

COMMISSION OF THE EUROPEAN COMMUNITIES

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Commission Communication to the Council

NEW COMMISSION APPROACH TO EXCISE-DUTY RATES

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New Commission approach to excise-duty rates

1. The new proposals amend certain articles of the proposals for Directives of 21 August 1987 on the approximation of taxes on cigarettes, manufactured tobacco other than cigarettes, mineral oils, and alcoholic beverages and the alcohol contained in other products (COM(87)325, COM(87)326, COM(87)327 and COM(87)328).
2. In its original proposals, the Commission had advocated single rates for each product throughout the Community. The differences in rates between member States have highlighted the difficulties of harmonizing rates fully by 1992.
3. The Member States and Parliament took the view that the introduction of an element of flexibility in the rates proposed in 1987 was the only way of progressing towards harmonization.

It was with this in mind that the Commission, in its Communication to the Council and to Parliament of 14 June 1989 (Com(89)260), introduced the concept of flexibility. However, application of this concept could not be allowed to call into question the principle of abolition of tax frontiers by 1 January 1993.

4. Products subject to excise duty also attract VAT. There is, therefore, interaction between the two which must be taken into account, while it must not be forgotten that differences in excise-duty rates are more pronounced between Member States than differences in VAT rates.
5. The Commission has attempted to ensure the maximum degree of flexibility acceptable without jeopardizing the moves to abolish frontiers, mainly by setting minimum rates, except in the case of certain petroleum products for which it is proposing rate bands owing to the increased risks of distortions of competition.
6. The essential requirements of the policies on health (such as defined by the Commission in its action program COM(86)717), transport, energy and the environment have been taken into account in setting the rates, and in particular the benchmark values or "target rates".

These are higher than the single rates envisaged in the Commission's initial proposals for tobacco and alcoholic beverages.

Similarly, much more favourable treatment is proposed for unleaded fuels.

7. The benchmark values, which represent a trade-off between the dictates of the free movement of goods within the Community-wide market and those of the sectoral policies referred to above, are the approach to convergence in a longer term which, in the Commission's view, is currently the most balanced approach towards achieving those objectives and which should, therefore, be followed by Member States when setting their national rates.
8. However, provision has been made for a review procedure to be held every two years with a view to adapting the minimum rates and the benchmark values to any changes in tax policies or in other policies on such matters as health, energy, transport and the environment after 1992.

A similar revision procedure is also envisaged in order to actualise the value of the rates in ecus.

9. In practice, all Member States will have to ensure by 1 January 1993 that the rates they apply are higher than the minimum rates or fall within the proposed rate bands.

Member States will not be required to adjust rates that are higher than the minimum rates. However, any subsequent adjustment deemed necessary by them and on their own initiative, will be permissible only if it is conducive towards convergence on the target rate.

10. The rules on, and monitoring of, the movement of dutiable products will be the subject of a subsequent Commission proposal.

They will aim to ensure compliance with the principle that excise duties are payable in the country of consumption :

- for individuals, free movement will be ensured by doing away with travellers' allowances altogether within the Community-wide market;
- for commercial operations, the movement of goods under duty-suspension arrangements to the place of consumption will take place via interconnected warehouses based on a future Commission proposal.

Payment of tax in the country in which the last retail sale takes place will be controlled in each member State by way of internal monitoring arrangements which, in the Member States that deem it necessary, may take the form, say, of tax stamps or colouring agents in the case of mineral oils.

11. At any event, the degree of flexibility introduced must be assessed on a case-by-case basis in the light of the characteristics of each product (substitutability of products, nature of market, risks of distortions of competition, etc.).

Such is the purpose of the three attached proposals for Directives.
