
COMPLETING THE
INTERNAL MARKET



CURRENT STATUS DECEMBER 1988

**THE ELIMINATION OF
FRONTIER BARRIERS AND
FISCAL CONTROLS**

Control of Goods

Control of Individuals

Value Added Tax

Excise Duties

COMMISSION OF THE
EUROPEAN COMMUNITIES

In June 1985, the Commission of the European Communities issued a White Paper "Completing the Internal Market" setting out a target of achieving by 1992 a single European market for goods, services, people and capital.

The White Paper included a detailed legislative timetable containing over 300 measures and proposals.

In March 1988, the Commission issued its "Third Report on the Implementation of the White Paper on Completing the Internal Market". This updated and modified the original legislative timetable contained in the White Paper.

This brochure is one of a series of five intended to summarize the current problems, the 1992 objectives and the measures and proposals contained in the White Paper and Third Report.

The complete series of brochures covers

A common market for services

The elimination of frontier barriers and fiscal controls

**Conditions for industrial cooperation
A single public procurement market**

A new Community standards policy

Veterinary and plant health controls

These brochures will be updated and reissued at regular intervals until 1992. Details about availability are given on the inside back cover.

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THE ELIMINATION OF FRONTIER BARRIERS AND FISCAL CONTROLS

How To Use This Brochure

The aim of this series of brochures is to

- Inform the interested European public about the steps which are being taken to bring about the single market
- Summarize the approach which is being taken in individual business sectors
- Provide a first reference to the content and current status of each proposal which the Commission has drafted to bring about the 1992 Internal Market.

This brochure contains

- A brief description of how the Community makes laws and recommendations
- A general introduction to the issues and problems in eliminating frontier barriers and fiscal controls
- Specialized introductions to the approach being adopted in individual sectors of frontier barriers and fiscal controls
- Brief summaries of every measure which has been adopted or proposed to create the Internal Market without frontier barriers and fiscal controls. Proposals mentioned in the White Paper but not yet issued by the Commission will be summarized in the future updates of the brochure.

The reader should

- Ensure he is familiar with how the Community makes laws and recommendations. If not, he should turn to page iii
- Read the general introduction for an overview of the issues (page 1)
- Select the section(s) which cover sector(s) of interest from the contents (page vii).

The summaries provide references to the appropriate copies of the Official Journal of the European Communities for those readers wishing to examine measures in more detail. Copies of the Official Journal can be obtained from the information offices listed inside the back cover.

HOW THE EUROPEAN COMMUNITY MAKES LAW AN OUTLINE

It is necessary to be familiar with the procedures by which the Community passes laws in order to understand the detail contained in the summaries. Each summary relates to a specific measure intended to facilitate the creation of the single market. In broad terms

- The Commission (which has both executive and administrative roles) initiates and drafts a proposal which it submits to the Council
- The European Parliament (which is elected by the citizens of the Community) and the Economic and Social Committee (which consists of representatives from employer organizations, trade unions and other interest groups) consider and comment on the proposal
- The Council (whose members represent the governments of the Member States, normally at ministerial level) adopts the proposal which then becomes law. In some cases, this power can be exercised by the Commission.

This brochure contains summaries of different types of measures; their consideration and adoption can follow different procedures. These are discussed below.

1. LAWS AND OTHER MEASURES

Regulations

A *regulation* is a law which is binding and directly applicable in all Member States without any implementing national legislation. Both the Council and the Commission can adopt *regulations*.

Directives

A *directive* is an EEC law binding on the Member States as to the result to be achieved, but the choice of method is their own. In practice national implementing legislation in the form deemed appropriate in each Member State is necessary in most cases. This is an important point as businesses affected by a *directive* have to take account of the national implementing legislation as well as the *directive*.

Decisions

A *decision* is binding entirely on those to whom it is addressed. No national implementing legislation is required. The *decisions* summarised in this brochure are *Council decisions* although in certain cases the Commission has the power to adopt *Commission decisions*.

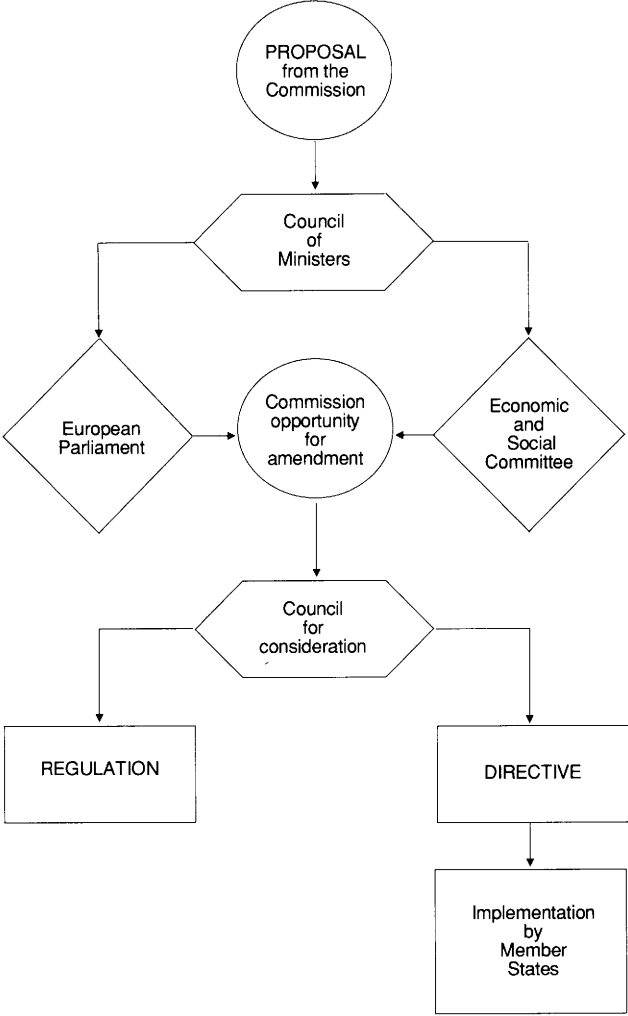
Recommendations

A *recommendation* has no binding effect (it is not a law). *Recommendations* can be adopted by both the Council and the Commission.

The majority of the measures included in this brochure are *Council Directives*.

EEC Legislation from Start to Finish (Directives and Regulations)

The Consultation Procedure



The Cooperation Procedure

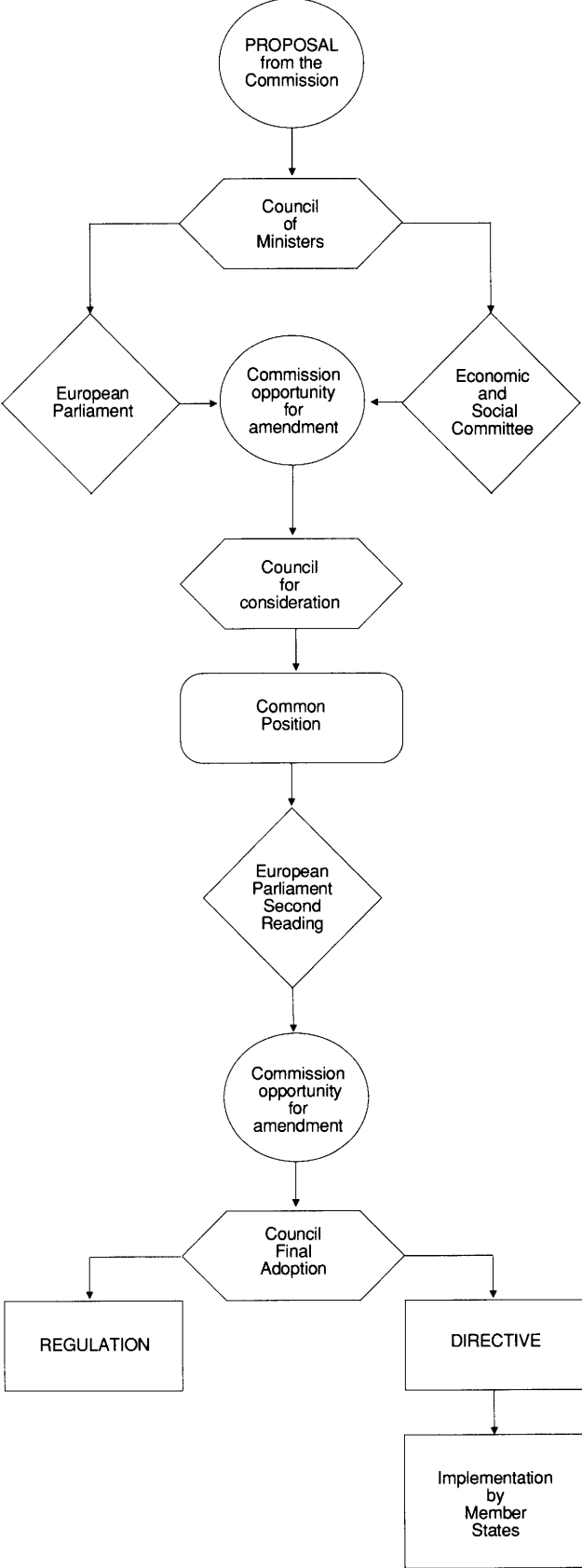


Figure 1

2. PROCEDURES FOR MAKING LAWS

The Community's decision-making procedures are best illustrated by tracing the progress of a *directive*. The following text should be read in conjunction with the flow chart in figure 1.

Since the entry into force of the Single European Act on 1.7.87 there are two distinct procedures for the adoption of a *directive*; the *consultation procedure* and the *cooperation procedure*. The EEC Treaty article upon which a proposal is based dictates which procedure is followed.

In both cases a *directive* begins with a proposal from the Commission to the Council.

Under the *consultation procedure*, the Council requests an opinion from the European Parliament and, in most cases, from the Economic and Social Committee. Once these have been given, the Commission then has the opportunity to amend the proposal if it so wishes. The proposal is then examined by the Council which may adopt it as proposed, adopt it in an amended form, or fail to reach agreement, in which case the proposal remains "on the table".

Under the *cooperation procedure*, the Council requests opinions from the Parliament and the Economic and Social Committee in the same way. Once these opinions have been received the Council has to adopt what is called a *common position*, although it seems that the proposal will again remain "on the table" failing any *common position* being reached. On a *common position* being reached, this is transmitted to the Parliament which has three months to accept, reject, or propose amendments to it, on its *second reading*.

At this stage the Commission may again amend the proposal if it wishes. The proposal is then returned to the Council which has three months to take a final decision. In the absence of a decision, the proposal lapses.

Whether the Council can adopt a proposal by a *qualified majority* or has to reach a *unanimous decision* depends in the first instance upon the article of the Treaty which is the basis for the measure. However, there are certain situations where unanimity must be reached by the Council:

- i) to introduce amendments of its own initiative to a proposal
- ii) to adopt amendments proposed by the Parliament but not taken up by the Commission
- iii) to adopt a measure when the Parliament has rejected the Council *common position* under the *cooperation procedure*.

The question of whether a *directive* or a *regulation* is subject to the *cooperation procedure*, the *consultation procedure* or neither of these depends on its legal basis.

There are a limited number of *decisions* summarised in this brochure. The European Parliament and the Economic and Social Committee are consulted on some of these.

There are also a limited number of *recommendations* in this brochure. Some *Council recommendations* are submitted to the European Parliament and the Economic and Social Committee for their opinion before adoption.

3. PUBLICATION OF TEXTS

At certain stages in the Community decision making procedure, texts are published in the Official Journal of the European Communities. There is an 'L' series which contains legislation and a 'C' series which contains other information, such as *communications* issued by the Commission.

This brochure contains summaries of both adopted legislation and proposals for legislation. In the case of adopted legislation, the summary gives the reference to the Official Journal 'L' series in which the text has been published. Readers interested in the legislative history of a measure will find in the text the Official Journal 'C' series references for the corresponding Commission proposal(s) and the opinions of the European Parliament and the Economic and Social Committee.

In the case of proposals for legislation, the summary gives the Official Journal 'C' series references for the Commission proposal(s) and the opinions of the European Parliament and the Economic and Social Committee, if published by 31.12.88.

The Commission's 1985 White Paper "Completing the Internal Market" contains a legislative programme. In the course of carrying out this programme, certain proposals have been withdrawn and others have been added. Where the Commission has not yet submitted proposals listed in the programme, these are mentioned in the sector introduction.

THE ELIMINATION OF FRONTIER BARRIERS AND FISCAL CONTROLS

INTRODUCTION

WHY THE ELIMINATION OF FRONTIER BARRIERS AND FISCAL CONTROLS?

1. CONTROL OF GOODS

Current problems and 1992 objectives	5
1.1 Single Administrative Document: extension	7
1.2 Community transit procedure: guarantees	9
1.3 Abolition of exit customs formalities: TIR	11
1.4 Abolition of exit customs formalities: common border posts	13
1.5 Duty-free admission of commercial vehicle fuel	15
1.6 Postal fees for customs presentations	17
1.7 Collection of statistics relating to trading of goods between Member States	19
1.8 Abolition of frontier controls relating to means of transport	21

2. CONTROL OF INDIVIDUALS

Current problems and 1992 objectives	23
2.1 Arms legislation	25
2.2 Tax-free allowances: international travel	27
2.3 Tax relief: small consignments of non-commercial goods	29
2.4 Value added tax exemption: small consignments and other final imports of goods	31
2.5 Tax exemption: permanent import of personal property	33
2.6 Tax exemption: temporary import of means of transport	35
2.7 Easing of controls at intra-Community borders	37

3. VALUE ADDED TAX

Current problems and 1992 objectives	39
3.1 Uniform basis of assessment: abolition of derogations	41
3.2 Uniform basis of assessment: clarifications and definition	43
3.3 Approximation of rates	45
3.4 Convergence of rates	47
3.5 Removal of fiscal frontiers	49
3.6 Expenditure on which tax is not deductible	51
3.7 Common VAT scheme applicable to small and medium sized businesses	53
3.8 Common VAT scheme applicable to second hand goods	55
3.9 Refunds to persons not established in the EEC	57
3.10 Temporary importation of goods	59
3.11 Stores of vessels, aircraft and international trains	61

4. EXCISE DUTIES

Current problems and 1992 objectives	63
4.1 Structures series: alcohol	65
4.2 Structures series: wine	67
4.3 Structures series: beer	69
4.4 Structures series: rum from French overseas departments	71
4.5 Structures series: fortified wines and similar products	73
4.6 Structures series: indirect taxes on alcoholic drinks	75
4.7 Structures series: mineral oils	77
4.8 Approximation of rates: alcohol	79
4.9 Harmonization: cigarettes	81
4.10 Harmonization: manufactured tobacco other than cigarettes	83
4.11 Harmonization: mineral oils	85
4.12 Committee on excise duties	87

INTRODUCTION

WHY THE ELIMINATION OF FRONTIER BARRIERS AND FISCAL CONTROLS?

1957 Treaty of Rome

This was intended to create a single market across the European Community, with free movement of goods, persons, services and capital.

Although a customs union was established very quickly and significant progress made with regard to the free movement of goods and persons, a number of administrative barriers continued to exist which prevented the creation of a genuine single market, even if some measures have been taken in order to simplify border formalities.

1985 White Paper

Customs posts at the frontiers between Member States continued to exist because they were a convenient point to exercise the fiscal, commercial, economic, health, statistical and police controls and formalities which remain necessary. However, the cost to industry alone of frontier-crossing requirements has been variously estimated at between 5% and 7% of the volume of intra-Community trade or 12,000 million European Currency Units.

The Commission's White Paper 'Completing the Internal Market' set the ambitious target of creating the necessary conditions for abolition of all the present controls and formalities.

1987 Single European Act

This Act, which has modified the EEC treaty and had therefore to be ratified by the governments and parliaments of all Community countries, confirmed the objective of achieving a single European market by 1992 and the timetable of the 1985 White Paper, as well as the specific objective of abolishing all the border formalities within the Community. It adapted the Community's procedures for decision making, and increased the scope of for a type of majority (as opposed to unanimous) voting in the Council of Ministers. The Single European Act should facilitate the adoption of the White Paper measures within this timeframe. But the major decisions relating to border controls still need unanimity in the Council (fiscal controls and controls on individuals).

1988 Current Situation

Of the 47 measures contained in the White Paper programme, 10 have been fully adopted and 1 partially adopted, while 5 have been withdrawn from the programme. The Commission proposals for another 28 measures have been issued and are at various stages of the legislative process while a further 3 proposals will be submitted in 1989.

However a purely quantitative approach to measuring progress in this area can be misleading. Progress towards adoption of the most important measures has been limited, particularly in the fiscal field where approximation of Value Added Tax rates, and accompanying measures, and harmonization of excise duties are a pre-requisite for the elimination of controls. Much time has been lost and the commitment to more rapid progress made by Heads of State and Government at the European Council in Rhodes in December 1988 will have to be given practical effect if the 1992 deadline is to be respected.

1992 Single Market

Deadline set by the 1987 Single European Act for complete elimination of internal frontier barriers and controls.

Frontier barriers

The physical barriers encountered at the frontiers between Member States affect both goods and individuals.

In the case of goods, checks and controls are carried out for a number of purposes; accounting for the incidence of VAT and excise duties on imports and exports, the gathering of trade statistics, the implementation of quantitative restrictions on imports, the administration of transport policy, to name but a few. The performance of these checks and controls requires commercial vehicle drivers to carry extensive documentation and to wait their turn at queues in front of customs posts. The resulting familiar lines of lorries at the Community's internal frontiers represent costs to the economy in terms of goods, vehicles and drivers which are immobilized. Many of the controls and checks can be transferred to other locations away from the physical frontiers; this alleviates but does not eliminate the problem of border-related controls. The Commission's objective, as required by the Single European Act, is to coordinate policy and bring national legislation closer together so as to eliminate completely by 1992 the barriers and controls in connection with crossing the Community's internal frontiers.

In the case of individuals, the passport controls, the occasional search of baggage and vehicles, the customs checks on purchases are a permanent reminder that the Community is divided into 12 distinct sovereign states. In a true Community, the *ever closer union* to which the Member States committed themselves when signing the original Treaty of Rome, such frontier formalities have no place. Community citizens should not have to produce documents of identity and nationality and obtain customs clearance of goods in their baggage when passing from one Member State to another. Of course, certain national protective measures, for example those controlling terrorism, drugs smuggling and other forms of crime, will continue to be necessary in a single market. The abolition of frontier controls on individuals, therefore, raises the question of the extent to which Member States policies and laws have to be harmonized and the more sensitive question of which actions should be taken through Community measures and which through inter-governmental cooperation. It raises also the question of the reinforcement of the controls at external borders in order to prevent, for example, drug trafficking and illegal immigration. The Commission believes that Community legislation should be the preferred method only where the uniformity and legal security it brings constitutes the best means of attaining the objective of an area without frontiers. Otherwise inter-governmental cooperation, already in motion in a number of contexts, can be the most efficient and cost-effective method.

Fiscal controls

Fiscal controls are among the most important functions performed at or related to frontiers. As long as indirect taxes on goods, value added tax and excise duties in particular differ significantly between Member States, there will be an incentive for purchasers to buy goods in lower tax countries. This leads to distortions in trade patterns which make no sense in a single market and also creates revenue problems for Member States. These problems are currently solved by means of their fiscal frontiers. If the indirect tax levels of the different Member States are sufficiently close together, purchasing decisions will no longer be distorted by the tax component of prices. In that situation, the tax aspects of intra-Community imports and exports will not need to be handled at internal frontiers.

The introduction over the years since 1967 of a common value added tax (VAT) system, in place of the widely varying national turnover taxes, has been one of the Community's success stories. Although some detailed aspects of the common assessment basis remain to be harmonized, the next major step is to align the number and level of VAT rates in the Member States.

This is part of the 1992 programme. Alignment of rates will remove all need for VAT controls at internal frontiers when taken in conjunction with the following technical measures:

- the treatment of VAT on intra-Community imports and exports in the same way as VAT on sales and purchases within a Member State, and
- a clearing house mechanism for ensuring that VAT revenue is allocated to the Member State of consumption.

As far as excise duties are concerned, as long ago as 1972 the Commission proposed measures to harmonize the structure of the principal excise duties, those on alcoholic drinks, mineral oils and tobacco. This was seen as a first step, to be followed by harmonization of the rates of excise duties. Little progress was made, however, until the 1985 White Paper gave new impetus to the process by programming proposals for harmonization of rates and for linkage of the bonded warehouse system (which Member States currently use for controlling movement of excise goods).

When the White Paper measures on VAT and excise duties are in effect, one of the major obstacles to the elimination of frontier controls will have disappeared.



1. CONTROL OF GOODS

CURRENT PROBLEMS AND 1992 OBJECTIVES

- Since its establishment in 1958, the European Community has made efforts to alleviate internal frontier formalities and thus improve free movement of goods. In particular Article 30 of the Treaty, which prohibits all measures having an equivalent effect to quantitative restrictions on imports, and Article 95, which prohibits discriminatory taxation of products imported from other Member States, have been used extensively by the Commission, as guardian of the Treaty, and the European Court of Justice to remove administrative obstacles at internal frontiers (ie excessive formalities linked with double taxation). In terms of legislative action, the Single Administrative Document (summary 1.1) is probably the most noticeable achievement. There is now one single document which is to be used for *all* consignments of goods crossing internal frontiers; this is already providing a considerable saving in paperwork, time and effort in the interim period until 1992. The Community transit procedure, dating back to 1977 and most recently improved in 1987 (1.2), is another example of the achievements reached by means of Community legislation.
- The abolition of exit formalities for goods travelling under TIR carnets (1.3) is a first step to achieving a single land border post at frontiers. The proposal to extend this measure to include *all* goods (1.4) has now been adopted by the Council. The Community has partially adopted a measure which allows the duty free admission of fuel in standard tanks of coaches. The unadopted portion concerns the same measure for lorries (1.5). The Community has already fully adopted a measure which abolishes postal fees for customs presentations (1.6). The Commission has also recently tabled proposals for the abolition of controls relating to the means of transport (1.8) and regulations for the collection of statistics following the abolition of import formalities and controls on goods between Member States (1.7).
- Nevertheless, the fact remains that to advance from the alleviation to the elimination of internal frontier controls, a major change is required. This is one of the reasons for the many proposals on fiscal harmonization, technical standards, animal and plant controls outlined in this series of brochures. In order to produce a suitable foundation for the elimination of controls which will be possible when these other proposals come into effect, the Commission wants a commitment from the Member States not to introduce new or more stringent controls or formalities for goods at frontiers. Furthermore, it believes that, between now and the time when all controls are eliminated, much more can be done to simplify the controls and formalities to which goods are subjected in connection with crossing frontiers.
- It should be stressed that the completion of the internal market will result in the total abolition of controls and formalities for all goods at internal frontiers and for Community goods in connection with the trade between Member States; currently some of these controls operate at the frontier and some at inland control points. At that time, the Single Administrative Document will cease to apply to dispatch, transit (except in certain limited cases) and arrival formalities for Community goods in intra-Community trade.



1. CONTROL OF GOODS

1.1 Single Administrative Document: extension

1) <i>Objective</i>	The original Council Regulation which introduced the <i>Single Administrative Document</i> (SAD) applied only to intra-Community trade in Community-produced goods. These additional measures aim to simplify trade documentation by extending the SAD to imports of non-Community goods and exports to third countries. They also extend the use of the SAD for the purpose of Community transit and certification of Community status.		
2) <i>Community measure</i>	<p>Council Regulation (EEC) No 1900/85 of 8 July 1985 introducing Community import and export declaration forms.</p> <p>Council Regulation (EEC) No 1901/85 of 8 July 1985 amending Regulation (EEC) No 222/77 on Community transit.</p>		
3) <i>Contents</i>	<ol style="list-style-type: none"> 1. Regulation 1900/85 applies to goods which, in trade with third countries or intra-Community trade, are neither of Member State origin nor in free circulation within the Community. 2. Form EX is to be used for: permanent or temporary export or re-export of goods outside the European Community; dispatch from one Member State to another under a customs procedure of goods which neither originate in a Member State nor are in free circulation within the Community. 3. Form IM is to be used for: placing goods imported into the European Community under any customs procedure; or, placing goods which neither originate in a Member State nor are in free circulation in the Community, in trade between two Member States under a customs procedure at destination. 4. Regulation 1901/85 applies the use of the SAD form to the movement of goods carried under the procedure of internal (T2) and external (T1) Community transit, and to the certification of Community status (T2L). 5. The right of free movement is applied to goods whose Community status is certified on a SAD form. 6. Goods carried under the external Community transit procedure must be the subject of a SAD and bear the symbol T1. 7. Goods carried under the procedure for internal Community transit must be the subject of the Single Administrative Document and bear the symbol T2. 		
4) <i>Deadline for implementing Member State legislation</i>	None required.		
5) <i>Application date (if different from 4)</i>	1.1.88		
6) <i>Date for further coordinating proposal (if specified)</i>			
7) <i>References</i>	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Council Adoption</td> <td style="width: 50%;">Official Journal L 179, 11.7.85</td> </tr> </table>	Council Adoption	Official Journal L 179, 11.7.85
Council Adoption	Official Journal L 179, 11.7.85		



1. CONTROL OF GOODS

1.2 Community transit procedure: guarantees

- | | |
|---|--|
| 1) <i>Objective</i> | As a major step towards achieving free movement of goods, this Regulation abolishes the requirement for a guarantee of payment of duties and fiscal charges arising from internal transit operations within the Community. However, it does not apply to high-value goods or those subject to high charges. The method used to determine whether or not a guarantee is necessary is intended to reduce the risk of incurred charges not being paid. |
| 2) <i>Community measure</i> | Council Regulation No 1674/87 of June 11 1987 amending Regulation (EEC) No 222/77 on Community transit. |
| 3) <i>Contents</i> | <p>1. A <i>guarantee waiver</i> may be granted to operators who are: resident in the Member State where the waiver is granted; regular users of the Community transit system; in a healthy financial position; not guilty of any serious infringement of customs or fiscal laws; undertake to pay on demand any claims made upon them in respect of their transit operations as soon as possible.</p> <p>2. The <i>guarantee waiver</i> does not apply to goods whose total value exceeds 50,000 ECU, or which are subject to a high level of duties or charges in other Member States.</p> <p>3. A certificate is issued whenever a waiver is granted.</p> <p>4. Customs authorities have the right to cancel the waiver if: the beneficiary does not undertake to pay charges for which he becomes liable; commits any breach of regulations; no longer meets the requirements mentions above.</p> |
| 4) <i>Deadline for implementing Member State legislation</i> | |
| 5) <i>Application date (if different from 4)</i> | 1.7.88 |
| 6) <i>Date for further coordinating proposal (if specified)</i> | |
| 7) <i>References</i> | Council Adoption Official Journal L 157, 17.6.87 |



1. CONTROL OF GOODS

1.3 Abolition of exit customs formalities: TIR

1) <i>Objective</i>	To reduce the number of checks at the Community's internal frontiers to one, in the framework of the TIR system. This one check will be carried out at the office of entry into a Member State.	
2) <i>Measure</i>	<p>Council Regulation (EEC) No 3690/86 of 1 December 1986 concerning the abolition within the framework of the TIR Convention of customs formalities on exit from a Member State at a land frontier between two Member States.</p> <p>Commission Regulation (EEC) No 1544/87 of 3 June 1987 laying down detailed rules for the application of the above-mentioned Council Regulation.</p>	
3) <i>Contents</i>	<p>1. The Regulation applies to all formalities and checks on goods crossing land frontiers between Member States under cover of TIR carnets.</p> <p>2. The <i>TIR Convention</i> is the Customs convention on the international transport of goods under cover of TIR carnets, signed in Geneva on 14/11/75. Definition of <i>internal frontier</i> (for goods under TIR carnets) as a land frontier between Member States; <i>office of exit</i> as the customs office by which the goods/means of transport leave the territory of one Member State; <i>office of entry</i> as that at which they enter another.</p> <p>3. Where a TIR consignment (ie one travelling under a TIR carnet) crosses an internal frontier formalities need only be completed at the office of entry.</p> <p>4. The office of entry is obliged to send to the Member State of exit any findings, documents, reports, records of proceedings or information on the formalities and checks in question which may be of interest to that Member State.</p> <p>5. Any questions arising from this regulation may be put to the Committee on the Movement of Goods.</p>	
4) <i>Deadline for implementing Member State legislation</i>	None required.	
5) <i>Application date (if different from 4)</i>	1.7.88	
6) <i>Date for further coordinating proposal (if specified)</i>		
7) <i>References</i>	Council Adoption Commission Adoption	Official Journal L 341, 4.12.86 Official Journal L 144, 5.6.87



1. CONTROL OF GOODS

1.4 Abolition of exit customs formalities: common border posts

- | | |
|---|--|
| 1) <i>Objective</i> | To reduce significantly customs formalities at internal land frontiers by requiring only a single customs check (instead of one on exit and one on entry), and by enabling officials of one Member State to act in the place of officials of an adjoining Member State with no loss of legal effect. The single check will be at the office of entry into a Member State. |
| 2) <i>Community Measure</i> | Council Regulation (EEC) xxxx/88 of 21 December 1988 on the abolition of exit formalities at internal Community frontiers - introduction of common border posts. |
| 3) <i>Contents</i> | <p>1. The Regulation applies to all checks and formalities carried out at Community internal land frontiers in connection with border crossing of goods accompanied by an ATA carnet, a Community movement carnet or the form 302 laid down under the Convention between the Parties to the North Atlantic treaty on the status of their Forces, signed in 1951. It does not cover the case where goods arrive at the customs office of exit and have to be placed under a dispatch or transit procedure at that point.</p> <p>2. The <i>office of exit</i> is the customs office at the border of the Member State through which the goods have just travelled; the <i>office of entry</i> is the customs office at the border of the Member State through which the goods are to continue their journey.</p> <p>3. When goods and/or a commercial vehicle cross a land frontier then only a single check shall be made for formalities and controls. It will be made at the office of entry where all formalities will be completed and any controls will be carried out on behalf of both the office of exit and the office of entry.</p> <p>4. The Member State of entry must send to the Member State of exit any information that may be of interest.</p> <p>5. If exit formalities have not been properly complied with the office of entry may send the goods back to the Member State of exit.</p> <p>6. Member States which share a common internal frontier must exchange information regarding: rules applicable when leaving their territory; lists of customs offices; those individuals to be contacted at customs offices.</p> <p>7. Questions that arise from this Regulation may be put to the Committee on the Movement of Goods.</p> |
| 4) <i>Deadline for implementing Member State legislation</i> | None required. |
| 5) <i>Application date (if different from 4)</i> | 1.7.89 |
| 6) <i>Date for further coordinating proposal (if specified)</i> | |
| 7) <i>References</i> | Council Adoption Not yet published. |



1. CONTROL OF GOODS

1.5 Duty-free admission of commercial vehicle fuel

- | | |
|---|---|
| 1) <i>Objective</i> | To increase the duty-free fuel allowance of commercial vehicles crossing common frontiers between Member States to 600 litres in the case of passenger vehicles and 200 litres in the case of goods vehicles. This will remove controls on ordinary fuel tanks, but problems will still arise when additional tanks are carried. This Directive has only been partially adopted - for coaches. The Council is still considering increasing the volume for commercial goods vehicles to 600 litres and extending the Directive to cover lorries. |
| 2) <i>Community measure</i> | Council Directive 85/347/EEC of 8 July 1985 amending Directive 68/297/EEC on the standardization of provisions regarding the duty-free admission of fuel contained in the fuel tanks of commercial motor vehicles. |
| 3) <i>Contents</i> | <p>1. A <i>commercial motor vehicle</i> is defined as one which is designed to carry either more than nine people, or to carry goods. A <i>standard fuel tank</i> is one which is permanently fitted by the manufacturer to all models of that vehicle.</p> <p>2. Member States will admit duty-free the following quantities of fuel: 600 litres for commercial passenger vehicles; 200 litres for commercial goods vehicles. This latter volume may be increased at a later date.</p> |
| 4) <i>Deadline for implementing Member State legislation</i> | 1.10.85 |
| 5) <i>Application date (if different from 4)</i> | |
| 6) <i>Date for further coordinating proposal (if specified)</i> | |
| 7) <i>References</i> | Council Adoption Official Journal L 183, 16.7.85 |



1. CONTROL OF GOODS

1.6 Postal fees for customs presentations

<i>1) Objective</i>	As a further step towards the abolition of formalities which apply to intra-community trade, this Regulation removes postal fees for customs presentation of consignments of Community goods sent from one Member State to another.	
<i>2) Community measure</i>	Council Regulation (EEC) No 1797/86 of 9 June 1986 abolishing certain postal fees for customs presentation.	
<i>3) Contents</i>	<p>1. Postal fees for consignments of goods presented to customs can no longer be levied on goods sent from a Member State which either: (a) originate in a Member State or, (b) come from a third country and are in free circulation in the Community.</p> <p>2. Spain and Portugal may apply the same postal fees for customs presentation of goods coming from other Member States as are applied to goods from third countries until customs duties are eliminated in trade with the other Member States.</p>	
<i>4) Deadline for implementing Member State legislation</i>	Not required.	
<i>5) Application date (if different from 4)</i>	1.1.88	
<i>6) Date for further coordinating proposal (if specified)</i>		
<i>7) References</i>	Council Adoption	Official Journal L 157, 12.6.86

1. CONTROL OF GOODS

1.7 Collection of statistics relating to the trading of goods between Member States

- 1) *Objective* Present physical frontiers and associated controls provide a means of collecting statistics on the movement of goods between Member States. The Regulation aims to establish a new system for administrating and collecting statistics relating to the trading of goods between Member States after the abolition of frontier controls.
- 2) *Proposal* **Proposal** for a council Regulation on the statistics relating to the trading of goods between the Member States.
- 3) *Contents*
1. Definitions include *goods, trading of goods between Member States, Community goods* and *non-Community goods, etc.*
 2. All goods moving between the statistical territories of Member States shall be the subject of trade statistics. This applies both to non-Community and Community goods, irrespective of whether they are the subject of a commercial transaction or not. Details of different categories of movements of goods.
 3. Provisions relating to different categories of goods which shall be the subject of different kinds of statistics, eg transit and storage statistics. Goods shall be designated in such a way as to permit easy and precise classification and coding. Classification shall be compatible with the nomenclature of the Harmonized Commodity Description and Coding System. Exemption from obligations regarding data collection for private individuals.
 4. Provision for the setting up of an ongoing statistical collection system (INTRASTAT), field of application of INTRASTAT and conditions for the application thereof. Data collection on goods not covered by the INTRASTAT shall be regulated by the Commission. Designation of the party responsible for the information required by INTRASTAT on goods as being any natural or legal person who is involved in trading of goods between Member States, provisions for the transfer of this responsibility if necessary and provisions for the carrying out of this obligation. Statistical information required by INTRASTAT shall be supplied within the time limits set by the Commission. The party responsible is, on his request, authorized to transmit the information by means of a global declaration regarding the movements of goods under INTRASTAT during the relevant reference period. Any party responsible for statistical information not complying with the provisions laid down in the Regulation shall be liable to the penalties laid down by the Member States
 5. Provisions for the drawing up of statistics relating to the trading of goods between Member States by the departments responsible for compiling statistics, provisions for the maintenance of registers of intra-Community operators to be built up until 31.12.92. Provisions for allocation of identifying code numbers by the Member States' departments, transmission of lists of those liable for VAT, and any other relevant information.
 6. Obligation on the Commission to report to the Council on the functioning of INTRASTAT.
 7. The collection of data required for statistics of trade between the Member States shall mainly be based on INTRASTAT.

	8. Obligation on the Commission to adopt no later than 31.12.90 a Regulation establishing the classification of goods applicable to statistics of trade between Member States and laying down the rules under which the classification shall be managed by the Commission and published annually.
	9. Establishment of an advisory Committee on the Statistics relating to the trading of goods between Member States to be composed of representatives of the Member States and chaired by a Commission representative.
4) <i>Opinion of the European Parliament</i>	Not yet given.
5) <i>Current status</i>	The proposal is currently before the Parliament and the Economic and Social Committee for their opinions.
6) <i>References</i>	Commission Proposal European Parliament Opinion Economic and Social Committee Opinion
	Not yet published.



1. CONTROL OF GOODS

1.8 Abolition of frontier controls relating to means of transport

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|--|---|---------------------|--------------------|-----------------------------|--|---------------------------------------|--|
| 1) <i>Objective</i> | To abolish frontier checks and formalities related to road vehicles, their drivers, inland waterway vessels and the corresponding documentation. | | | | | | |
| 2) <i>Proposal</i> | Proposal for a Council Regulation on the elimination of controls performed at the frontier of Member States in the field of road and inland waterway transport. | | | | | | |
| 3) <i>Contents</i> | <p>1. Controls pursuant to Community and national measures in the fields of road and inland waterway transport between Member States shall no longer be performed at the frontiers between Member States.</p> <p>2. The Regulation defines:</p> <ul style="list-style-type: none"> - <i>frontier</i>, as either an internal frontier within the Community or an external frontier where carriage between Member States involves crossing a third country, - <i>controls</i>, as any checks at frontiers which involve a stop or signify a restriction on the free movement of the vehicles or vessels concerned. <p>3. Annexes containing details of Community and national legislation which at present give rise to checks and inspections, eg controls of driving licences, insurance certification, roadworthiness certificates for motor vehicles and their trailers, technical requirements for inland waterway vessels, weights and dimensions of road vehicles, inspection of passenger lists for road services, checks on recording equipment etc.</p> | | | | | | |
| 4) <i>Opinion of the European Parliament</i> | Not yet given. | | | | | | |
| 5) <i>Current status</i> | The proposal is currently before the Parliament and the Economic and Social Committee for their opinions. | | | | | | |
| 6) <i>References</i> | <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Commission Proposal</td> <td>Not yet published.</td> </tr> <tr> <td>European Parliament Opinion</td> <td></td> </tr> <tr> <td>Economic and Social Committee Opinion</td> <td></td> </tr> </table> | Commission Proposal | Not yet published. | European Parliament Opinion | | Economic and Social Committee Opinion | |
| Commission Proposal | Not yet published. | | | | | | |
| European Parliament Opinion | | | | | | | |
| Economic and Social Committee Opinion | | | | | | | |

2. CONTROL OF INDIVIDUALS

CURRENT PROBLEMS AND 1992 OBJECTIVES

- There are many problems connected with the free movement of Community citizens across internal frontiers. Although abolition of frontier controls is recognized as a desirable consequence of a fully integrated internal market, there are serious legitimate concerns as to the effects on the combat against terrorism, drug smuggling and crime in general. In addition, the abolition of frontier controls will create problems in a number of areas where Member States have different policies, such as the issue of visas to third country nationals, the granting of political asylum. To take a simple example, if Member States have different lists of third countries whose citizens require visas, a non-EC national in a Member State which does not require him to have a visa would be able to cross freely into a Member State which does. Concern with such problems has led to inter-governmental cooperation in a number of different frameworks, some limited to Member States, others European but wider than the Community, others truly international. In the case of drugs, for example, there is inter-governmental cooperation between the Member States, cooperation in the Council of Europe Pompidou Group, in the United Nations and in other fora as the problem is global. On the other hand, visa policies can be effectively coordinated between Member States as a homogeneous group of countries and this is in process. What the Member States have to do, therefore, is to coordinate these different fora, determine the necessary extent of harmonization of policies and legislation, decide which actions should be taken at Community level and which left to inter-governmental cooperation. On the first point, the Commission's participation in all the relevant working frameworks assures coordination. On the second, the Commission believes that the abolition of frontier controls can be achieved on the basis of a programme of common policies on visas, asylum and refugees combined with strengthened controls at the Community's external frontiers. Finally, the Commission has concluded that Community legislation should be used only where the legal security and uniformity it provides constitute the best instrument to achieve the desired objective. A proposal on arms legislation (summary 2.1) is a first step in this direction. Otherwise, inter-governmental cooperation should be preferred although Community action cannot be excluded if efficiency and cost-effectiveness were to justify this.
- However, these are not the only concerns. Frontier controls also serve the purpose of performing checks on the taxable goods carried by travellers. The measure which increases tax-free allowances (summary 2.2) aims to keep these in line with inflation, and reduce the number of individuals who have to go through *red channels*. Further measures with this aim in mind concern the import of small consignments of goods (2.3 & 2.4). Tax free importation of personal property from one Member State to another at present requires that the goods have been in use for three months prior to their importation. There is a proposal which abolishes this requirement and extends duty-free allowances for products such as tobacco, alcohol and perfume. (summary 2.5). Use in one Member State for a considerable length of time of a car registered in another Member State can present problems vis-a-vis payment of tax. A proposal (2.6) currently awaiting the Council's adoption aims to relax the rules on this subject.
- These changes will pave the way for allowing Community citizens to cross borders unchecked.



2. CONTROL OF INDIVIDUALS

2.1 Arms legislation

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|--|---|---------------------|--------------------------------|-----------------------------|--|---------------------------------------|-------------------------------|
| 1) <i>Objective</i> | To abolish controls on the possession of weapons at intra-Community frontiers. It does not affect the right of Member States to take other measures to prevent illegal trade in weapons. | | | | | | |
| 2) <i>Proposal</i> | Proposal for a Council Directive on the control of the acquisition and possession of weapons. | | | | | | |
| 3) <i>Contents</i> | <ol style="list-style-type: none"> 1. A <i>weapon</i> is defined as a firearm or a side-arm. A <i>dealer</i> is an individual whose legal business is trade in weapons. 2. Member States may adopt more stringent provisions. 3. Dealers in weapons must be authorized to carry out their business. They must keep detailed records of all transactions made in firearms. 4. Member States shall prohibit the handing over of firearms to an individual resident in another Member State, unless that individual is authorized to receive them. 5. Firearms may be transferred from one Member State to another if the transfer is authorized by the Member State of departure and in some cases by the Member State of arrival. A licence is issued, which includes name and address of buyer and seller; particulars enabling the firearm to be identified; the date of departure and estimated time of arrival of the weapon. A copy of this licence must go to the Member State of destination, and any Member State through which it will pass on its journey. 6. The same procedure must be followed for temporary transfers; a simplified procedure is provided for hunters and sports-shooters. 7. Member States shall not carry out any controls on the possession of weapons at internal frontiers after 31.12.92 at the latest. | | | | | | |
| 4) <i>Opinion of the European Parliament</i> | Not yet given. | | | | | | |
| 5) <i>Current status</i> | The proposal is currently before the Council for establishment of a common position. | | | | | | |
| 6) <i>References</i> | <table border="0" style="width: 100%;"> <tr> <td style="padding-right: 40px;">Commission Proposal</td> <td>Official Journal C 235, 1.9.87</td> </tr> <tr> <td>European Parliament Opinion</td> <td></td> </tr> <tr> <td>Economic and Social Committee Opinion</td> <td>Official Journal C 35, 8.2.88</td> </tr> </table> | Commission Proposal | Official Journal C 235, 1.9.87 | European Parliament Opinion | | Economic and Social Committee Opinion | Official Journal C 35, 8.2.88 |
| Commission Proposal | Official Journal C 235, 1.9.87 | | | | | | |
| European Parliament Opinion | | | | | | | |
| Economic and Social Committee Opinion | Official Journal C 35, 8.2.88 | | | | | | |



2. CONTROL OF INDIVIDUALS

2.2 Tax-free allowances: international travel

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|--|--|------------------|---|---------------------|--------------------|
| 1) <i>Objective</i> | To make travel and tourism within the Community easier by increasing tax-free allowances. | | | | |
| 2) <i>Community measure</i> | Council Directives 85/348/EEC of 8 July 1985, 87/198/EEC of 16 March 1987 and 88/664/EEC of 21 December 1988 , amending Directive 69/169/EEC on the harmonization of provisions laid down by law, regulation and administrative action relating to exemption from turnover tax and excise duty on imports in international travel. | | | | |
| 3) <i>Contents</i> | <p>1. The amount of tax-free goods designated by value that may be imported has been increased in stages from 280 ECU to 390 ECU, and for children under 15 the amount has been increased from 60 ECU to 100 ECU.</p> <p>2. Every two years (starting 31.10.87) the Council must review these allowances to ensure the <i>real</i> value of permitted tax-free imports is not diminished.</p> <p>3. Increases in the quantitative allowances for: tobacco products, alcoholic beverages, perfumes, coffee and tea. For example, travelling between two Member States 300 cigarettes may be imported tax-free, 1.5 litres of spirits or 3 litres of fortified wine, 5 litres still wine, 75g of perfume. Lower allowances apply if travelling between a Member State and a third country; for example, 200 cigarettes, 1 litre of spirits or 2 litres fortified wine, and 2 litres of still wine.</p> <p>4. The unit value allowance for Denmark and Greece has been increased in stages from 280 ECU to 310 ECU and that for Ireland increased from 77 ECU to 85 ECU.</p> <p>5. Denmark is authorized to apply lower allowances to still wines and certain tobacco and alcohol products.</p> | | | | |
| 4) <i>Deadline for implementing Member State legislation</i> | 1.7.89 | | | | |
| 5) <i>Application date (if different from 4)</i> | Conditions for Denmark (see sections 4 and 5 of contents) to expire 1.1.89. | | | | |
| 6) <i>Date for further revision to come into effect</i> | <p>1.7.91 and every two years thereafter.</p> <p>The Commission has tabled a proposal concerning Denmark which includes the following amendments to existing derogations for a period of a further two years:</p> <ul style="list-style-type: none"> - to abolish lower allowances for still wines - to extend until 31.12.90 the lower allowances for tobacco and spirits imported by Danish residents after a stay of less than 48 hours in another country - to raise the Danish unit allowance to 340 ECU on 1.1.90. | | | | |
| 7) <i>References</i> | <table border="0" style="width: 100%;"> <tr> <td style="vertical-align: top;">Council Adoption</td> <td>Official Journal L 183, 16.7.85
Official Journal L 77, 20.3.87
Official Journal L 382, 31.12.88</td> </tr> <tr> <td style="vertical-align: top;">Commission proposal</td> <td>Not yet published.</td> </tr> </table> | Council Adoption | Official Journal L 183, 16.7.85
Official Journal L 77, 20.3.87
Official Journal L 382, 31.12.88 | Commission proposal | Not yet published. |
| Council Adoption | Official Journal L 183, 16.7.85
Official Journal L 77, 20.3.87
Official Journal L 382, 31.12.88 | | | | |
| Commission proposal | Not yet published. | | | | |

2. CONTROL OF INDIVIDUALS

2.3 Tax relief: small consignments of non-commercial goods

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| 1) <i>Objective</i> | To increase the amount of tax relief (from VAT and excise duties) available on small consignments of a non-commercial character sent from one private individual to another across internal EEC frontiers. This is to keep the <i>real</i> value constant taking cost of living increases into account. |
| 2) <i>Community measure</i> | Council Directives 85/349/EEC of 8 July 1985 and 88/663/EEC of 21 December 1988 amending Directive 74/651/EEC on the tax reliefs to be allowed on the importation of goods in small consignments of a non-commercial character within the Community. |
| 3) <i>Contents</i> | <p>1. The value of goods on which relief from turnover taxes (eg VAT) and excise duties is allowed has been increased in stages from 70 ECU to 110 ECU.</p> <p>2. The unit value of goods wwhich Ireland may exclude from tax relief has been increased in stages from 77 to 85 ECU.</p> <p>3. The Council of Ministers must adjust the amounts of relief available every two years beginning at latest on 31 October 1987.</p> <p>4. If the tax due on goods in a small consignment worth more than 100 ECU is less than 3 ECU, the tax need not apply.</p> |
| 4) <i>Deadline for implementing Member State legislation</i> | 1.7.89 |
| 5) <i>Application date (if different from 4)</i> | |
| 6) <i>Date for further revision to come into effect</i> | 1.7.91 and every two years thereafter. |
| 7) <i>References</i> | <p>Council Adoption</p> <p>Official Journal L 183, 16.7.85
Official Journal L 382, 31.12.88</p> |

2. CONTROL OF INDIVIDUALS

2.5 Tax exemption: permanent import of personal property

- 1) *Objective* To harmonize and relax the formalities for obtaining tax exemptions on permanent imports of personal property of individuals, eg property of people intending to stay for any length of time in a Member State, by abolishing the prior use requirements and the time limits on subsequent disposal; to increase certain duty-free allowances.
- 2) *Proposal* **Proposal** for a Council Directive amending for the first time Directive 83/183/EEC on tax exemptions applicable to permanent imports from a Member State of the personal property of individuals.
- 3) *Contents*
1. Abolition of the requirement that items of personal property have to have been in use for three months (six months in the case of motor vehicles, caravans, mobile homes, pleasure boats and private aircraft) prior to importation.
 2. The requirement that personal property which was imported tax-free has to be used for at least twelve months after the permanent import before it can be disposed of is now abolished.
 3. An inventory of goods must be drawn up on plain paper and accompanied by a declaration (a specimen is found in the annex to the proposal). Proof of place of normal residence is no longer required.
 4. Quantitative allowances for duty-free importation of tobacco, alcohol, perfume, coffee and tea are increased to four times the allowances in Directive 69/169/EEC (see summary 2.2). The tax exemption for wedding presents is increased from 200 ECU to four times the value laid down in Article 2(1) of Directive 69/169/EEC, (ie four times 350 ECU at present).
 5. As of 1.1.93 imports of goods which benefit from tax exemption under this Directive will in any case no longer be charged to VAT, excise duties and other consumption taxes.
- 4) *Opinion of the European Parliament* The Parliament approved the proposal subject to some amendments which have been incorporated into the amended proposal.
- 5) *Current status* The proposal is currently before the Council for adoption.
- 6) *References*
- | | |
|---------------------------------------|----------------------------------|
| Commission Proposal | Official Journal C 5, 9.1.87 |
| Amended Proposal | Official Journal C 179, 8.7.88 |
| European Parliament Opinion | Official Journal C 318, 30.11.87 |
| Economic and Social Committee Opinion | Official Journal C 150, 9.6.87 |



2. CONTROL OF INDIVIDUALS

2.6 Tax exemption: temporary import of means of transport

- 1) *Objective* To extend existing tax exemptions for temporary imports into a Member State of private cars and other vehicles to a number of situations in which exemptions are not presently available. This measure is limited to those who have personal or occupational relations in a Member State other than that where they are resident in order to relax formalities pertaining to the professional and private use of private cars and other vehicles.
- 2) *Proposal* **Proposal** for a Council Directive amending Directive 83/182/EEC on tax exemptions within the Community for certain means of transport temporarily imported into one Member State from another.
- 3) *Contents*
1. To help individuals who have professional ties in a Member State other than that in which they are normally resident, the period for which their private vehicle (registered in their home Member State) is tax exempt in the other Member State is increased from 6 months to 9 months in any 12 month period.
 2. Vehicles belonging to a car hire firm established in one Member State which are temporarily imported into another Member State may be re-hired in that Member State provided that the vehicles are re-exported within eight days.
 3. To extend the exemption to residents of the Member State of temporary importation when the individual who imported the private vehicle is present in that Member State. It is also proposed that, under certain conditions, residents of a Member State should be allowed to use private vehicles registered in another Member State in order to return home, if their own vehicle breaks down abroad or if the individual, following a stay in another Member State, has to hire a vehicle to return home because of a public transport strike etc.
 4. A private vehicle registered in another Member State and temporarily imported by an individual who normally lives in the Member State of temporary importation, will be tax exempt when the vehicle belongs to or is hired by a business established in the Member State where the vehicle is registered on the condition that the individual who imports the vehicle works for the said business. The vehicle may also be used by members of the individual's family when he is in the Member State of importation.
 5. If a student is studying in a Member State other than his/her home Member State and he/she marries someone who is normally resident in that Member State the student's spouse or steady companion is permitted to use his/her temporarily imported vehicle.
 6. A vehicle which has been temporarily imported from another Member State may be used with exemption from VAT by a resident of a Member State if it is as a result of breakdown or accident of his own vehicle. However, the tax exemption may not last more than two months, unless the vehicle is retained in connection with police investigations and evidence of immobilization may be required.
 7. If a vehicle which was temporarily imported into a Member State is badly damaged, either through an accident or criminal act, it shall be completely tax exempt if it is disposed of in that Member State.

4) *Opinion of the European Parliament*

The Parliament made several recommendations for amendment all of which were incorporated in the amended proposal.

5) *Current status*

The proposal is currently before the Council for adoption.

6) *References*

Commission Proposal
Amended Proposal

Official Journal C 40, 1.7.87
Official Journal C 184, 14.7.88

European Parliament
Opinion

Official Journal C 318, 30.11.87

Economic and Social
Committee Opinion

Official Journal C 180, 8.7.87



2. CONTROL OF INDIVIDUALS

2.7 Easing of controls at intra-Community borders

- 1) *Objective* To ease controls and formalities for Member State nationals when crossing intra-Community borders particularly by abolishing all police and customs formalities.
- 2) *Proposal* **Proposal** for a Council Directive on the easing of controls and formalities applicable to nationals of the Member States when crossing intra-Community borders.
- 3) *Contents*
1. The Directive lays down a number of conditions for easing controls and formalities for individuals at internal frontiers. It applies to Member State nationals crossing internal borders who comply with all regulations concerning tax-free import of goods etc. It applies to all controls and formalities relating to individuals and goods carried by them, including currency. It does not apply to commercial carriage of goods.
 2. Member States must ensure that internal border controls and formalities are operated according to the principle of free passage so that Member State nationals can cross borders unchecked. However, Member States are permitted to carry out spot checks, and impose temporary border controls in special circumstances, eg for security purposes. This Directive does not apply to security checks at airports.
 3. Member State nationals who fulfill these conditions shall be permitted to merely drive across borders at reduced speed (or walk across) enabling officials to stop vehicles for spot checks when considered necessary. Vehicles may fix a disk bearing the letter E on a green background to declare that all occupants are Community nationals with nothing to declare. Customs signs should be removed from borders.
 4. In ports and airports special channels for citizens of Member States should be set up.
 5. No checks shall be made on individuals crossing borders on international trains.
 6. Member States shall confer with each other in the implementation of the Directive.
- 4) *Opinion of the European Parliament* The European Parliament approved the proposal subject to a number of recommendations for amendment. These included a recommendation that simple visual checks of vehicles should be extended to pedestrians crossing a border between Member States. The Commission adopted these in its amended proposal.
- 5) *Current status* The amended proposal of the Commission is before the Council for decision.
- 6) *References*
- | | |
|---------------------------------------|---------------------------------|
| Commission Proposal | Official Journal C 47, 19.2.85 |
| Amended Proposal | Official Journal C 131, 30.5.85 |
| European Parliament Opinion | Official Journal C 122, 20.5.85 |
| Economic and Social Committee Opinion | Official Journal C 169, 8.7.85 |

3. VALUE ADDED TAX

CURRENT PROBLEMS AND 1992 OBJECTIVES

- The Community started constructing a harmonized system of value added tax in 1969 when a Directive was adopted requiring the Member States to replace their existing national turnover taxes with a value added tax system. In the intervening years, the process has been considerably developed, particularly by the Sixth Directive of 1977 which introduced a uniform basis of assessment.
- However, the number of rates of the tax and their levels still vary from Member State to Member State and transitional derogations from the uniform basis of assessment remain in effect, distorting competition and patterns of trade.
- The abolition of frontier controls at the borders between Member States, a fundamental necessity of the completed Internal Market, will be impossible as long as indirect tax systems and levels diverge significantly. An inevitable prerequisite for the abolition of frontier controls in intra-Community trade is an end to the present system under which exported goods are relieved of value added tax and imported goods are subject to it (summary 3.5).
- Another important proposal in this section of the brochure is that which aims to reduce the number of VAT rates in all Member States to two and bring the levels of each rate sufficiently close together in all Member States (3.3). This will avoid the risk of competitive distortions once frontiers are removed. In addition there is an interim proposal (3.4) to prevent any changes in the systems presently in force in the Member States which will take them further away from the proposed common rate bands; this will facilitate the implementation of the major measure.
- Two proposals aim to clarify present VAT rules and abolish previously granted exemptions (3.1 & 3.2). There are also proposals concerning: expenditure on which tax is not deductible (3.6); a simplified VAT system for small and medium sizes of businesses (3.7); a special VAT scheme for second-hand goods and collectors' items (3.8); VAT refunds to non-EEC residents (3.9); temporary importation of goods (3.10); stores of vessels, aircraft and international trains (3.11).
- In addition to the measures and proposals outlined in this brochure, the Commission has issued an outline proposal for a Value Added Tax Clearing House mechanism so that the abolition of the present system of reliefs on exports and taxation of imports will not result in Member States losing VAT revenue to which they are entitled. It is envisaged that a further proposal dealing with the details of this mechanism will be made in 1989.



3. VALUE ADDED TAX

3.1 Uniform basis of assessment: abolition of derogations

- 1) *Objective* To abolish nearly all of the derogations permitted to the Member States concerning the VAT system. This is necessary in order to achieve greater neutrality of the VAT system at Community level, and because one of the sources of finance for the Community is a percentage of Member State VAT revenue.
- 2) *Proposal* **Proposal** for an 18th Council Directive on the harmonization of the laws of the Member States relating to turnover taxes - abolition of certain derogations provided for in Article 28(3) of Directive 77/388/EEC - common system of value added tax.
- 3) *Contents* The amended proposal provides for the abolition of all derogations from the common VAT system provided for in article 28 (3) of Directive 77/388/EEC, with the exception of:
- transactions in gold, other than gold for industrial use
 - services supplied by authors, artists and performers
 - those derogations provided in article 28 (3)e of Directive 77/388/EEC.
- 4) *Opinion of the European Parliament* The European Parliament proposed a number of amendments to the derogations to be abolished. These were largely incorporated in the amended proposal.
- 5) *Current status* The amended proposal is currently before the Council for adoption.
- 6) *References*
- | | |
|---------------------------------------|----------------------------------|
| Commission Proposal | Official Journal C 347, 29.12.84 |
| Amended Proposal | Official Journal C 183, 11.7.87 |
| European Parliament Opinion | Official Journal C 125, 11.5.87 |
| Economic and Social Committee Opinion | Official Journal C 218, 29.8.85 |

3. VALUE ADDED TAX

3.2 Uniform basis of assessment: clarifications and definition

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|--|--|---------------------|----------------------------------|-----------------------------|---------------------------------|---------------------------------------|---------------------------------|
| 1) <i>Objective</i> | To bring the Member States' VAT systems closer together by clarifying certain terms and defining certain concepts used in the earlier EEC legislation on the VAT assessment basis. | | | | | | |
| 2) <i>Proposal</i> | Proposal for a 19th Council Directive on the harmonization of the laws of the Member States relating to turnover taxes, amending Directive 77/388/EEC - common system of value added tax. | | | | | | |
| 3) <i>Contents</i> | <ol style="list-style-type: none"> 1. Clarification of the <i>place of supply</i> of services in the case of air and sea transport, of the term <i>forms of transport</i>, and definitions of <i>fixed establishment</i>. 2. Clarification of certain terms concerning exemptions from VAT. 3. Use of customs value as the taxable value for VAT purposes in certain cases. 4. The supply of ships and aircraft for scrap is added to the list of VAT exempt products. 5. Rules on refunds to taxable persons and on proportional deductions. | | | | | | |
| 4) <i>Opinion of the European Parliament</i> | The Parliament approved the proposal subject to a number of suggested amendments. The Commission took up one of these, the effect of which is that deliveries of works of art by their creators will remain subject to VAT. | | | | | | |
| 5) <i>Current status</i> | The proposal is currently before the Council for adoption. | | | | | | |
| 6) <i>References</i> | <table border="0" style="width: 100%;"> <tr> <td style="padding-right: 40px;">Commission Proposal</td> <td>Official Journal C 347, 29.12.84</td> </tr> <tr> <td>European Parliament Opinion</td> <td>Official Journal C 125, 11.5.87</td> </tr> <tr> <td>Economic and Social Committee Opinion</td> <td>Official Journal C 218, 29.8.85</td> </tr> </table> | Commission Proposal | Official Journal C 347, 29.12.84 | European Parliament Opinion | Official Journal C 125, 11.5.87 | Economic and Social Committee Opinion | Official Journal C 218, 29.8.85 |
| Commission Proposal | Official Journal C 347, 29.12.84 | | | | | | |
| European Parliament Opinion | Official Journal C 125, 11.5.87 | | | | | | |
| Economic and Social Committee Opinion | Official Journal C 218, 29.8.85 | | | | | | |



3. VALUE ADDED TAX

3.3 Approximation of rates

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|--|---|---------------------|---------------------------------|-----------------------------|--|---------------------------------------|---------------------------------|
| 1) <i>Objective</i> | To introduce an EEC-wide system of VAT with a uniform base, only two rates and to fix a bracket for each rate, with a view to the abolition of fiscal frontiers between Member States. | | | | | | |
| 2) <i>Proposal</i> | Proposal for a Council Directive supplementing the common system of value added tax and amending Directive 77/388/EEC - approximation of VAT rates. | | | | | | |
| 3) <i>Contents</i> | <ol style="list-style-type: none"> 1. All Member States will be required to have only a standard rate of VAT and a reduced rate. 2. The standard rate will have to be between 14% and 20%. 3. The reduced rate will have to be between 4% and 9%. 4. The reduced rate will apply to: food (except alcohol); energy products for heating and lighting; water supplies; pharmaceutical products; books; newspapers; periodicals and passenger transport. 5. All other goods and services will be subject to the standard rate. | | | | | | |
| 4) <i>Opinion of the European Parliament</i> | Not yet given. | | | | | | |
| 5) <i>Current status</i> | The Parliament is preparing its opinion on the proposal. | | | | | | |
| 6) <i>References</i> | <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Commission Proposal</td> <td>Official Journal C 250, 18.9.87</td> </tr> <tr> <td>European Parliament Opinion</td> <td></td> </tr> <tr> <td>Economic and Social Committee Opinion</td> <td>Official Journal C 237, 12.9.88</td> </tr> </table> | Commission Proposal | Official Journal C 250, 18.9.87 | European Parliament Opinion | | Economic and Social Committee Opinion | Official Journal C 237, 12.9.88 |
| Commission Proposal | Official Journal C 250, 18.9.87 | | | | | | |
| European Parliament Opinion | | | | | | | |
| Economic and Social Committee Opinion | Official Journal C 237, 12.9.88 | | | | | | |



3. VALUE ADDED TAX

3.4 Convergence of rates

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|--|--|---------------------|---------------------------------|-----------------------------|--|---------------------------------------|--|
| 1) <i>Objective</i> | To prevent any further divergence between Member States' VAT and excise duty rates and those proposed by the Commission, pending approximation of these rates. This is an interim measure to facilitate implementation of the proposal summarized in 3.3. | | | | | | |
| 2) <i>Proposal</i> | Proposal for a Council Directive instituting a process of convergence of value added tax and excise duties. | | | | | | |
| 3) <i>Contents</i> | <ol style="list-style-type: none"> 1. Pending the adoption of the Directive approximating VAT (summary 3.3), Member States shall not alter the number and level of rates except as permitted by this Directive. 2. Member States with three or more rates of VAT may reduce that number to two. 3. Member States with only one VAT rate may introduce a second, so as to have a reduced rate and a normal rate. 4. Member States may amend the levels of their reduced and normal VAT rates on condition that the amendments bring the rates closer to the proposed approximated brackets of 4% - 9% for the reduced rate and 14% - 20% for the normal rate. 5. Pending the adoption of the Directives approximating excise duty rates (summarized in section 4 of this brochure), the Member States shall not introduce new excise duties or comparable indirect taxes. Neither shall they increase rates, or enlarge the scope of excise duties or comparable indirect taxes which give rise to taxation on imports and tax remission on exports. However, this limitation shall not apply to the excise duties on manufactured tobacco, alcoholic beverages and mineral oils for the reasons indicated in (6) below. 6. Member States may amend their rates of duty on alcoholic beverages, manufactured tobacco and mineral oils provided these amendments bring the rates nearer those set out in this Directive. | | | | | | |
| 4) <i>Opinion of the European Parliament</i> | Not yet given. | | | | | | |
| 5) <i>Current status</i> | The European Parliament and the Economic and Social Committee are preparing opinions on the proposal. | | | | | | |
| 6) <i>References</i> | <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Commission Proposal</td> <td style="width: 50%;">Official Journal C 250, 18.9.87</td> </tr> <tr> <td>European Parliament Opinion</td> <td></td> </tr> <tr> <td>Economic and Social Committee Opinion</td> <td></td> </tr> </table> | Commission Proposal | Official Journal C 250, 18.9.87 | European Parliament Opinion | | Economic and Social Committee Opinion | |
| Commission Proposal | Official Journal C 250, 18.9.87 | | | | | | |
| European Parliament Opinion | | | | | | | |
| Economic and Social Committee Opinion | | | | | | | |

3. VALUE ADDED TAX

3.5 Removal of fiscal frontiers

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|--|--|---------------------|---------------------------------|-----------------------------|--|---------------------------------------|--|
| 1) <i>Objective</i> | To discontinue the present system under which exports from a Member State to other EEC countries are not subject to value added tax while imports from other EEC countries are. Tax charged in one Member State will consequently be deductible in another Member State, and this will create a single European market as far as VAT is concerned. | | | | | | |
| 2) <i>Proposal</i> | Proposal for a Council Directive completing and amending Directive 77/388/EEC - Removal of fiscal frontiers. | | | | | | |
| 3) <i>Contents</i> | <ol style="list-style-type: none"> 1. Taxation of imports will only apply to imports from non-EEC countries. 2. Exemption in favour of exports will only apply to exports to non-EEC countries. 3. Consequential amendments to the right to deduct input tax. 4. Member States are obliged to cease, on 31.12.92 at the latest, transitional measures introduced under the 1977 Directive. 5. Obligation for the Council to adopt the necessary measures to establish a clearing-house mechanism for value added tax on intra-Community sales. This will ensure that VAT revenue continues to be assigned to the Member State where final consumption of goods and services take place. | | | | | | |
| 4) <i>Opinion of the European Parliament</i> | Not yet given. | | | | | | |
| 5) <i>Current status</i> | The European Parliament and the Economic and Social Committee are presently preparing opinions on the proposal. | | | | | | |
| 6) <i>References</i> | <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Commission Proposal</td> <td style="width: 50%;">Official Journal C 252, 22.9.87</td> </tr> <tr> <td>European Parliament Opinion</td> <td></td> </tr> <tr> <td>Economic and Social Committee Opinion</td> <td></td> </tr> </table> | Commission Proposal | Official Journal C 252, 22.9.87 | European Parliament Opinion | | Economic and Social Committee Opinion | |
| Commission Proposal | Official Journal C 252, 22.9.87 | | | | | | |
| European Parliament Opinion | | | | | | | |
| Economic and Social Committee Opinion | | | | | | | |



3. VALUE ADDED TAX

3.6 Expenditure on which tax is not deductible

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|--|--|---------------------|--------------------------------|------------------|--------------------------------|-----------------------------|----------------------------------|---------------------------------------|--------------------------------|
| 1) <i>Objective</i> | To harmonize Member States' value added tax systems regarding the treatment of business expenditure. | | | | | | | | |
| 2) <i>Proposal</i> | Proposal for a Twelfth Council Directive on the harmonization of the laws of the Member States relating to turnover taxes-Common system of value added tax: expenditure not eligible for deduction of value added tax. | | | | | | | | |
| 3) <i>Contents</i> | <ol style="list-style-type: none"> 1. Value added tax on expenditure relating to aircraft and pleasure boats will not be deductible. 2. Value added tax on expenditure relating to passenger cars and motor cycles will be 50% deductible four years after entry into force of the Directive. After two years of this transitional period, the Member States will have to fix the deductible percentage between 25% and 75%. 3. Complete deduction will be permitted where such vehicles and craft are used for carriage for hire, for training or instruction, for hiring out or form part of the stock in trade of a business. 4. Value added tax on transport expenses of taxable persons and their staff will be subject to the same rules and in accordance with the same timetable as specified for (2) above. 5. Value added tax on expenditure on accommodation, food and drink will not be deductible, except where the supply of these is the taxable person's business or where they are supplied free of charge to security or caretaking staff on business premises. 6. Value added tax on expenditure on amusements and luxuries will not be deductible. | | | | | | | | |
| 4) <i>Opinion of the European Parliament</i> | The Parliament proposed several amendments which were accepted by the Commission. | | | | | | | | |
| 5) <i>Current status</i> | The Commission's amended proposal is before the Council for examination. | | | | | | | | |
| 6) <i>References</i> | <table border="0" style="width: 100%;"> <tr> <td style="padding-right: 40px;">Commission Proposal</td> <td>Official Journal C 37, 10.2.83</td> </tr> <tr> <td>Amended Proposal</td> <td>Official Journal C 56, 29.2.84</td> </tr> <tr> <td>European Parliament Opinion</td> <td>Official Journal C 342, 19.12.83</td> </tr> <tr> <td>Economic and Social Committee Opinion</td> <td>Official Journal C 206, 6.8.84</td> </tr> </table> | Commission Proposal | Official Journal C 37, 10.2.83 | Amended Proposal | Official Journal C 56, 29.2.84 | European Parliament Opinion | Official Journal C 342, 19.12.83 | Economic and Social Committee Opinion | Official Journal C 206, 6.8.84 |
| Commission Proposal | Official Journal C 37, 10.2.83 | | | | | | | | |
| Amended Proposal | Official Journal C 56, 29.2.84 | | | | | | | | |
| European Parliament Opinion | Official Journal C 342, 19.12.83 | | | | | | | | |
| Economic and Social Committee Opinion | Official Journal C 206, 6.8.84 | | | | | | | | |



3. VALUE ADDED TAX

3.7 Common VAT scheme applicable to small and medium sized businesses

- 1) *Objective* To simplify the operation of the VAT system for small and medium-sized businesses and to bring individual Member State schemes closer into line with each other.
- 2) *Proposal* **Proposal** for a Council Directive amending Directive 77/388/EEC on the harmonization of the laws of the Member States relating to turnover taxes in respect of the common value added tax scheme applicable to small and medium-sized businesses.
- 3) *Contents*
1. Businesses that have an annual turnover of less than 10,000 ECU are to be VAT exempt. Businesses with annual turnover of less than 35,000 ECU may be eligible for exemption at the option of the individual Member States.
 2. A *simplified scheme* for charging and collecting VAT is to be introduced for businesses having an annual turnover of less than 150,000 ECU.
 3. These simplified schemes will work on the basis of annual returns and monthly or quarterly advance payments.
 4. The ceilings for exemption and eligibility for the simplified schemes will be revised annually by the Commission to maintain their values in real terms.
 5. The equivalents in national currencies of the amounts expressed in ECU will be fixed annually by the Commission.
- 4) *Opinion of the European Parliament* The Parliament approved the proposal subject to some recommendations for amendment. These included: the ceiling for the simplified scheme to be raised to 200,000 ECU; the optional tax exemption to be reviewed within two years; and the Member States to be able to introduce graduated tax relief for businesses with a turnover up to 35,000 ECU.
- 5) *Current status* The proposal is currently being discussed by the Council.
- 6) *References*
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|---------------------------------------|----------------------------------|
| Commission Proposal | Official Journal C 272, 28.10.86 |
| European Parliament Opinion | Official Journal C 190, 20.7.87 |
| Economic and Social Committee Opinion | Official Journal C 83, 30.3.87 |



3. VALUE ADDED TAX

3.8 Common VAT scheme applicable to second-hand goods

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|--|---|---------------------|--------------------|-----------------------------|--|---------------------------------------|--|
| 1) <i>Objective</i> | To complete the common system of VAT on trade in second-hand goods, works of art, antiques and collector's items by introducing a special scheme. The scheme consists of the taking into account the value added by the taxable dealer in the goods concerned in the course of his professional activities, thus excluding from the scope of application all value added at previous stages. | | | | | | |
| 2) <i>Proposal</i> | Proposal for a Council Directive completing the Common system of value added tax by modifying Articles 32 and 28 of Directive 77/388/EEC - Common system applicable to second hand goods, works of art, antiques and collector's items. | | | | | | |
| 3) <i>Contents</i> | <p>1. The Directive introduces an exception to the normal VAT system for supplies by a taxable person in the course of business with a view to resale (taxable dealer) of second-hand goods, works of art, antiques and collector's items, previously purchased from non-taxable persons or taxable persons who could not deduct VAT when acquiring the goods. The scheme does not apply where the goods have already been subject to VAT at importation by a taxable dealer or when a taxable person reselling the goods to the taxable dealer has already invoiced the normal VAT, nor in the case of objects made from precious metals or stones and whose market value is more than twice the value of the materials.</p> <p>2. Methods of application including the definition of the taxable amount as the difference between the purchase price and the pre-VAT selling price. Special provisions concerning certain collector's items, antiques and works of art.</p> <p>3. Provisions for intra-Community trade: taxation of exports in the Member State of departure and exemption in the Member State of importation.</p> <p>4. Requirement for dealers who operate under this special scheme and the normal system to keep separate accounts for each.</p> <p>5. Definitions of works of art, collectors' items and antiques.</p> | | | | | | |
| 4) <i>Opinion of the European Parliament</i> | Not yet given. | | | | | | |
| 5) <i>Current status</i> | The proposal is currently before the Parliament and the Economic and Social Committee for their opinions. | | | | | | |
| 6) <i>References</i> | <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Commission Proposal</td> <td>Not yet published.</td> </tr> <tr> <td>European Parliament Opinion</td> <td></td> </tr> <tr> <td>Economic and Social Committee Opinion</td> <td></td> </tr> </table> | Commission Proposal | Not yet published. | European Parliament Opinion | | Economic and Social Committee Opinion | |
| Commission Proposal | Not yet published. | | | | | | |
| European Parliament Opinion | | | | | | | |
| Economic and Social Committee Opinion | | | | | | | |



3. VALUE ADDED TAX

3.9 Refunds to persons not established in the EEC

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|---|--|
| 1) <i>Objective</i> | To harmonize further Member State legislation concerning VAT refunds to taxable persons outside the EEC. This will develop harmonious trade relations with non-EEC countries and prevent certain forms of tax evasion and avoidance. |
| 2) <i>Community measure</i> | Thirteenth Council Directive 86/560/EEC of 17 November 1986 on the harmonization of the laws of the Member States relating to turnover taxes- Arrangements for the refund of value added tax to taxable persons not established in Community territory. |
| 3) <i>Contents</i> | <p>1. A <i>taxable person not established in the territory of the Community</i> is defined as someone who has not had a business address, or a permanent place of residence in a Member State during a period of time to be determined by the Member States, and has not supplied any goods or services in that Member State with the exception of transport services or those on which the only tax is payable by the recipient.</p> <p>2. In general, Member States will refund any VAT paid by a non-resident taxable individual on goods or services supplied by a taxable individual in the territory of the Community. These refunds may be made conditional on third countries reciprocating such action.</p> <p>3. Refunds have to be applied for by the taxable non-resident. Member States will determine the practical arrangements for claiming these refunds, eg time limits, minimum amounts etc. They may also require the appointment of a tax representative. They will take all necessary steps to prevent fraud.</p> <p>4. These refunds must not be made on more favourable conditions than those made to taxable persons established in the EEC.</p> <p>5. Eligibility for refunds will be determined according to the domestic rules of the Member States for VAT deductions, although certain expenditures may be excluded or certain conditions imposed.</p> |
| 4) <i>Deadline for implementing Member State legislation</i> | 1.1.88 |
| 5) <i>Application date (if different from 4)</i> | |
| 6) <i>Date for further coordinating proposal (if specified)</i> | |
| 7) <i>References</i> | Council Adoption Official Journal L 326, 21.11.86 |



3. VALUE ADDED TAX

3.10 Temporary importation of goods

- 1) *Objective* To reduce fiscal barriers to the movement of goods within the Community by introducing the widest possible exemption from value added tax for goods temporarily imported from one Member State to another. To achieve maximum uniformity between the customs duty and value added tax systems in the case of imports from third countries.
- 2) *Community measure* **Seventeenth Council Directive 85/362/EEC of 16 July 1985** on the harmonization of the laws of the Member States relating to turnover taxes - Exemption from value added tax on the temporary importation of goods other than means of transport.
- 3) *Contents*
1. Goods *temporarily imported* into one Member State from another shall be VAT exempt provided they:
 - are intended to be re-exported without alteration
 - have been acquired in the Member State of export after payment of VAT which has not been refunded on export
 - belong to someone resident outside the Member State into which they have been imported
 - are not consumable goods.
 This Directive does not apply to means of transport, containers or pallets.
 2. The following are examples of goods which shall be exempt from VAT when they are temporarily imported into the Community from a third country: professional equipment; commercial samples; goods used for display at exhibitions, fairs etc; teaching aids; scientific equipment; medical, surgical and laboratory equipment; holders for goods; travellers' personal effects.
 3. In some cases security may be required for goods that are granted VAT exemption on *temporary importation*. If it is required it must not be greater than the amount of VAT that would be due if the goods had been declared for *home use* when they were imported. The security can be in the form of cash or a guarantee.
 4. Member States will fix a time limit for the period that goods granted VAT exemption on *temporary importation* may remain in their territory. The normal maximum will be 24 months but extensions may be granted in exceptional circumstances.
 5. The benefits of VAT exemption on *temporary importation* cease when the goods are: re-exported; destroyed as a result of unforeseeable circumstances; declared for home use. In the latter case VAT becomes payable. For certain special cases the temporary importation can be terminated and the goods can remain without payment of tax.
 6. There are some cases where goods imported for *possible* sale may be granted a *temporary importation VAT exemption*. These include: second-hand goods imported with a possibility of auction; works of art for exhibitions where they may be sold; goods contracted to be sold but subject to acceptance tests.

4) *Deadline for
implementing Member
State legislation*

1.1.86

5) *Application date
(if different from 4)*

West Germany and Greece were allowed to delay implementation of certain provisions until 1.1.87 and 1.1.89 respectively. Any authorizations granted under national provisions had to be revoked by 1.1.88 if they could not be retained on the basis of this Directive.

6) *Date for further
coordinating proposal
(if specified)*

7) *References*

Council Adoption

Official Journal L 192, 24.7.85



3. VALUE ADDED TAX

3.11 Stores of vessels, aircraft and international trains

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|--|--|---------------------|-------------------------------|-----------------------------|---------------------------------|---------------------------------------|---------------------------------|
| 1) <i>Objective</i> | Introduction of a specific Community procedure for the application of VAT and excise duties to stores for vessels, aircraft and trains engaged in international traffic. | | | | | | |
| 2) <i>Proposal</i> | Proposal for a Council Directive on the Community value added tax and excise duty procedure applicable to the stores of vessels, aircraft and international trains. | | | | | | |
| 3) <i>Contents</i> | <ol style="list-style-type: none"> 1. Definition of <i>stores</i>. 2. Stores are to be exempt from VAT and excise duties on imports until the final destination is reached. 3. Specific rules for stores of international trains, eg no exemption for tobacco and alcoholic beverages other than beer and wine. 4. Exemptions from the rules to the extent necessary to prevent fraud and abuse. | | | | | | |
| 4) <i>Opinion of the European Parliament</i> | The Parliament approved the proposal but requested that the stores of vessels and aircraft of the armed forces and of private vessels and aircraft be excluded from the scope of the directive. | | | | | | |
| 5) <i>Current status</i> | It is now up to the Council to adopt the proposal. | | | | | | |
| 6) <i>References</i> | <table border="0" style="width: 100%;"> <tr> <td style="padding-right: 40px;">Commission Proposal</td> <td>Official Journal C 31, 8.2.80</td> </tr> <tr> <td>European Parliament Opinion</td> <td>Official Journal C 147, 16.6.80</td> </tr> <tr> <td>Economic and Social Committee Opinion</td> <td>Official Journal C 205, 11.8.80</td> </tr> </table> | Commission Proposal | Official Journal C 31, 8.2.80 | European Parliament Opinion | Official Journal C 147, 16.6.80 | Economic and Social Committee Opinion | Official Journal C 205, 11.8.80 |
| Commission Proposal | Official Journal C 31, 8.2.80 | | | | | | |
| European Parliament Opinion | Official Journal C 147, 16.6.80 | | | | | | |
| Economic and Social Committee Opinion | Official Journal C 205, 11.8.80 | | | | | | |

4. EXCISE DUTIES

CURRENT PROBLEMS AND 1992 OBJECTIVES

- The harmonization of excise duties goes back a long time and in fact there are two separate series of proposals to consider in this field. In the *structures series* the principal proposals covered harmonization of the structures of the duties on manufactured tobacco, spirits, wine and beer and were made in 1972. The proposal on mineral oils followed in 1973. Two complementary proposals concerned with alcoholic beverages completed the *structures series* in 1985.
- The third stage of harmonization of cigarettes has been withdrawn from the internal market programme leaving the second stage providing for a mixed excise duty (part specific and part ad valorem) which is actually in force in all Member States. None of the other proposals in the *structures series* has been adopted. However, they remain before the Council and so are included in this brochure; there are likely to be changes to their contents before they can be adopted, in order to make them compatible with the *rates series* of proposals.
- The *rates series* of proposals arises in the context of the internal market programme. Before fiscal frontiers can be abolished Member States will need to have both common excise duty structures and common rates. The 1985 White Paper addresses this issue by setting a 1992 deadline for achieving the following objectives:
 - harmonizing the structures
 - bringing the rates closer together
 - abolishing or reducing other excise duties to the extent that they involve border formalities
 - linking the bonded warehouses of the different Member States.
- The *rates series* of proposals was initiated in 1987, to achieve the above objectives. In this *rates series*, proposals have already been tabled covering the rates of taxation on alcoholic drinks, cigarettes, tobacco and mineral oils (4.8 - 4.11). These new proposals are currently being considered by the Parliament.
- The Commission intends to table the final proposals in this *rates series* covering the last two objectives detailed above (abolition of minor excises and a system of bonded warehouses) during 1989.
- The *structures series* are covered in the earlier part of this section (4.1 - 4.7) and the *rates series* in the later part (4.8 - 4.11). It is important to be clear about this distinction, since proposals covering similar topics (eg excise duty on wine) occur in both series.
- As technical implementing measures may be required after directives have been adopted, there is a proposal for the establishment of a *Committee on Excise Duties* which would play an important role in a simple and accelerated decision making procedure (summary 4.12).



4. EXCISE DUTIES

4.1 Structures series: alcohol

N.B. all proposals in the structure series are being revised

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|--|---|---------------------|--------------------------------|-----------------------------|--------------------------------|---------------------------------------|-------------------------------|
| 1) <i>Objective</i> | To introduce a harmonized structure for excise duties on alcohol in order to eliminate distortions in conditions of competition. | | | | | | |
| 2) <i>Proposal</i> | Proposal for a Council Directive on the harmonization of excise duties on alcohol. | | | | | | |
| 3) <i>Contents</i> | <ol style="list-style-type: none"> 1. The Member States shall apply a single rate of excise duty to ethyl alcohol other than beer, wine, cider and similar fermented drinks. 2. The amount of the duty will be set per hectolitre of pure alcohol at a temperature of 15°C. 3. There will be a reduced rate of duty for grape must, liqueur wines, vermouths and similar products with an alcoholic strength of up to 22°C. 4. Duty shall not be due on ethyl alcohol used for the production of vinegar, medicines, cosmetics and products intended for non-human uses, on alcohol for external medical use, on denatured alcohol. 5. EEC rules shall be established relating to the production, stockage and transport of exciseable alcohols, payment of duties, exports and imports. | | | | | | |
| 4) <i>Opinion of the European Parliament</i> | The Parliament approved the proposal with a recommendation that exemption be granted to ethyl alcohol for use in foodstuffs and confectionery having an alcohol content of less than 6%. | | | | | | |
| 5) <i>Current status</i> | The proposal is before the Council for adoption. The Commission has in the meantime submitted proposals for a separate excise structure for fortified wines, vermouths etc (intermediate products), the approximation of the rates of excise duty and the convergence of national excise rates. | | | | | | |
| 6) <i>References</i> | <table border="0" style="width: 100%;"> <tr> <td style="padding-right: 40px;">Commission Proposal</td> <td>Official Journal C 43, 29.4.72</td> </tr> <tr> <td>European Parliament Opinion</td> <td>Official Journal C 48, 25.4.74</td> </tr> <tr> <td>Economic and Social Committee Opinion</td> <td>Official Journal C 36, 1.6.73</td> </tr> </table> | Commission Proposal | Official Journal C 43, 29.4.72 | European Parliament Opinion | Official Journal C 48, 25.4.74 | Economic and Social Committee Opinion | Official Journal C 36, 1.6.73 |
| Commission Proposal | Official Journal C 43, 29.4.72 | | | | | | |
| European Parliament Opinion | Official Journal C 48, 25.4.74 | | | | | | |
| Economic and Social Committee Opinion | Official Journal C 36, 1.6.73 | | | | | | |

4. EXCISE DUTIES

4.2 Structures series: wine

N.B. all proposals in the structure series are being revised

1) <i>Objective</i>	To remove distortions in conditions of competition by requiring all Member States to apply excise duty to wine.	
2) <i>Proposal</i>	Proposal for a Council Directive concerning a harmonized excise duty on wine.	
3) <i>Contents</i>	<ol style="list-style-type: none"> 1. Member States will apply a harmonized excise duty to wine. 2. Definitions of <i>wine</i>, <i>sparkling wine</i> and <i>other wines</i>. 3. Obligation to levy the excise duty at the stage of production or importation. 4. All wines in a given category must be subject to the same rate of duty except that, within a category, a higher rate of duty may be applied to quality wines produced in specified regions. Different rates are permitted for still and sparkling wines. 5. Rules on the control of production, storage and transport of wine and on the collection of duty, eg Member States will use EEC required declarations of production and stock to determine the quantities of taxable wine. 	
4) <i>Opinion of the European Parliament</i>	The Parliament did not approve the proposal, calling instead for a proposal for the abolition of excise duty on wine.	
5) <i>Current status</i>	The proposal is before the Council for adoption. In the meantime, however, the Commission has submitted a proposal providing for a single rate of excise duty on still wine and a single rate of excise duty on sparkling wine throughout the EEC.	
6) <i>References</i>	Commission Proposal	Official Journal C 43, 29.4.72
	European Parliament Opinion	Official Journal C 48, 25.4.74
	Economic and Social Committee Opinion	Official Journal C 36, 1.6.73



4. EXCISE DUTIES

4.3 Structure series: beer

N.B. all proposals in the structure series are being revised

1) <i>Objective</i>	To introduce a harmonized structure for excise duties on beer in order to eliminate distortions in conditions of competition.	
2) <i>Proposal</i>	Proposal for a Council Directive concerning the harmonization of excise duties on beer.	
3) <i>Contents</i>	<ol style="list-style-type: none"> 1. Member States shall apply a harmonized excise duty to beer, the rate to be calculated per hectolitre of finished product. 2. Obligation to levy the excise duty at the stage of production or importation. 3. Rules for determining the duty include: <ul style="list-style-type: none"> - establishment of the duty by reference to volume and original gravity calculated according to the Plato method - division of beer into four categories corresponding to bands of original gravity - <i>progressive taxation</i> of the four rates - exemption or reimbursement of duty levied on beer returned to the brewery or delivered to another brewery - exemption or reimbursement of duty levied on beer exported directly from the brewery or that consumed by workers on the premises of the brewery. 4. Conditions for the payment of duty. 5. Provisions for monthly declaration to the competent fiscal authorities of quantities of beers and movements thereof. 6. Role of the Committee on Excise Duties (see summary 4.12). 7. Derogations for West Germany, Belgium and The Netherlands. 8. Obligation to cease derogations within five years. 	
4) <i>Opinion of the European Parliament</i>	The Parliament approved the proposal subject to certain recommendations for amendment.	
5) <i>Current status</i>	The proposal is currently before the Council for adoption.	
6) <i>References</i>	Commission Proposal	Official Journal C 43, 29.4.72
	European Parliament Opinion	Official Journal C 48, 25.4.74
	Economic and Social Committee Opinion	Official Journal C 36, 1.6.73

4. EXCISE DUTIES

4.4 Structures series: rum from French overseas departments

- | | |
|---|---|
| 1) <i>Objective</i> | To permit the French Republic, for a limited period of time, to apply a reduced rate of tax to traditional rum from the French overseas departments because of their economic and social situation. |
| 2) <i>Community Measure</i> | Council Decision 88/245/EEC of 19 April 1988 authorizing the French Republic to apply in its overseas departments and in metropolitan France, by way of derogation from Article 95 of the Treaty, a reduced rate of the revenue duty imposed on the consumption of <i>traditional</i> rum produced in those departments. |
| 3) <i>Contents</i> | <p>1. Authorization for the French Republic to apply a reduced rate of duty to <i>traditional</i> rum from the overseas departments until 31 December 1992.</p> <p>2. Definition of <i>traditional</i> rum eligible for the reduction. This is the product obtained exclusively by distillation after fermentation of sugar cane juice, sugar cane syrup or sugar cane molasses in the sugar cane producing areas of the French overseas departments.</p> <p>3. Reducing annual quotas (1988 to 1992) for the rum benefiting from the reduced rate.</p> |
| 4) <i>Deadline for implementing Member State legislation</i> | |
| 5) <i>Application date (if different from 4)</i> | |
| 6) <i>Date for further coordinating proposal (if specified)</i> | |
| 7) <i>References</i> | Council Adoption Official Journal L 106, 27.4.88 |

4. EXCISE DUTIES

4.5 Structures series: fortified wines and similar products

N.B. all proposals in the structure series are being revised

1) <i>Objective</i>	To facilitate future harmonization of excise duties, with a view to eliminating distortions of competition.	
2) <i>Proposal</i>	Proposal for a Council Directive concerning the harmonization of excise duties on fortified wine and similar products.	
3) <i>Contents</i>	<p>1. Member States shall apply an excise duty to <i>fortified wines</i> and similar products called <i>intermediate products</i>, as defined in the proposal.</p> <p>2. Rules for determining the duty include:</p> <ul style="list-style-type: none"> - establishment of the duty by reference to volume and/or actual alcoholic strength by volume - prohibition on different excise duties for products with the same volume or strength - total excise duty shall be between 20% and 65% of the duty on the same quantity of pure alcohol. <p>3. Special rules for French vins doux naturels. France will be authorized to apply a lower duty rate for certain quality liqueur wines including those from other Member States.</p> <p>4. Rules for control and recovery of duties, eg Member States must ensure that operations such as the maturing of <i>intermediate products</i> are carried out under suspension of the excise duty; excise duty is due when these products are released for home use.</p> <p>5. Prohibition on other indirect taxation of <i>intermediate products</i>, unless such other taxes do not give rise to border adjustments or controls in trade between Member States.</p>	
4) <i>Opinion of the European Parliament</i>	The Parliament approved the proposal although it criticized the definition of <i>similar products</i> .	
5) <i>Current status</i>	The proposal is currently before the Council for adoption. The Commission has in the meantime submitted proposals for harmonization of excise duty rates (see summary 4.8) and, pending harmonization, convergence of national systems (see summary 3.4).	
6) <i>References</i>	Commission Proposal	Official Journal C 114, 8.5.85
	European Parliament Opinion	Official Journal C 36, 17.2.86
	Economic and Social Committee Opinion	Official Journal C 330, 20.12.85



4. EXCISE DUTIES

4.6 Structures series: indirect taxes on alcoholic drinks

N.B. all proposals in the structure series are being revised

- | | | | | | | | |
|--|--|---------------------|--------------------------------|-----------------------------|--------------------------------|---------------------------------------|----------------------------------|
| 1) <i>Objective</i> | To introduce a first stage in the process of bringing Member State taxes on alcoholic drinks closer together with a view to eliminating distortions of competition. | | | | | | |
| 2) <i>Proposal</i> | Proposal for a Council Directive laying down certain rules on indirect taxes which affect the consumption of alcoholic drinks. | | | | | | |
| 3) <i>Contents</i> | <p>1. All Member States applying excise duty to still wine shall apply a single rate based on volume.</p> <p>2. Definition of <i>still wine</i> as table wines, quality wines, and non-sparkling beverages with an alcoholic strength between 8.5% and 15% by volume.</p> <p>3. The rate of excise duty levied on a given quantity of <i>still wine</i> shall not exceed that levied on the same quantity of beer of the most-sold beer category, pro rata to their respective alcoholic strengths.</p> <p>4. The same rate of VAT shall apply to still wine and beer. There shall be a single rate applied to all spirits and a single rate applied to all fortified wines and similar products.</p> <p>5. The Council shall, before 1.1.89, fix a date by which each Member State should apply a single rate of VAT to all alcoholic drinks.</p> | | | | | | |
| 4) <i>Opinion of the European Parliament</i> | The Parliament recommended an amendment to the effect that Member States which apply excise duty to beer should have an obligation to introduce tax equality between wine and beer. This corresponds to the proposed obligation on Member States which impose excise duty on wine. | | | | | | |
| 5) <i>Current status</i> | The proposal is before the Council for adoption. In the meantime, the Commission has submitted new proposals on both excise duties (see summary 4.8) and VAT systems (see summary 3.3). | | | | | | |
| 6) <i>References</i> | <table border="0" style="width: 100%;"> <tr> <td style="padding-right: 40px;">Commission Proposal</td> <td>Official Journal C 114, 8.5.85</td> </tr> <tr> <td>European Parliament Opinion</td> <td>Official Journal C 36, 17.2.86</td> </tr> <tr> <td>Economic and Social Committee Opinion</td> <td>Official Journal C 330, 20.12.85</td> </tr> </table> | Commission Proposal | Official Journal C 114, 8.5.85 | European Parliament Opinion | Official Journal C 36, 17.2.86 | Economic and Social Committee Opinion | Official Journal C 330, 20.12.85 |
| Commission Proposal | Official Journal C 114, 8.5.85 | | | | | | |
| European Parliament Opinion | Official Journal C 36, 17.2.86 | | | | | | |
| Economic and Social Committee Opinion | Official Journal C 330, 20.12.85 | | | | | | |

4. EXCISE DUTIES

4.7 Structures series: mineral oils

N.B. all proposals in the structure series are being revised

1) <i>Objective</i>	To harmonize the structure of excise duties on mineral oils in order to eliminate distortions of conditions of competition.	
2) <i>Proposal</i>	Proposal for a Council Directive on the harmonization of excise duties on mineral oils.	
3) <i>Contents</i>	<ol style="list-style-type: none"> 1. List of the <i>mineral oils</i> to which the proposal would apply. 2. Harmonized rules on the events giving rise to duty, eg removal of mineral oils from the place of their production or importation. 3. Harmonized rules for imports, exports and bonded warehouses. Mineral oils exported from a territory with harmonized excise duty are exempt. 4. Compulsory and optional exemptions from duty, eg gas-oils used as fuel for railways and heavy oils used as fuels, oils used for air-navigation. 5. Member States shall take all the necessary measures to control the production of mineral oils and collect excise duty. 	
4) <i>Opinion of the European Parliament</i>	The Parliament approved the proposal.	
5) <i>Current status</i>	The proposal is before the Council for adoption.	
6) <i>References</i>	Commission Proposal	Official Journal C 92, 31.10.73
	European Parliament Opinion	Official Journal C 32, 11.2.75
	Economic and Social Committee Opinion	Official Journal C 109, 19.9.74



4. EXCISE DUTIES

4.8 Approximation of rates: alcohol

- | | | | | | | | |
|--|--|---------------------|---------------------------------|-----------------------------|--|---------------------------------------|---------------------------------|
| 1) <i>Objective</i> | To introduce common rates of excise duty on alcohol for the purpose of establishing an internal market without frontiers. | | | | | | |
| 2) <i>Proposal</i> | Proposal for a Council Directive on approximation of the rates of excise duty on alcoholic drinks and on the alcohol contained in other products. | | | | | | |
| 3) <i>Contents</i> | <ol style="list-style-type: none"> 1. By 31.12.92, all Member States shall apply common rates of excise duty. 2. The rate of duty on spirits and alcohol in foodstuffs will be 1271 ECU per hectolitre of pure alcohol. 3. For undenatured ethyl alcohol in perfumes, toiletries and cosmetics it will be 424 ECU per hectolitre of pure alcohol. 4. It will be 85 ECU per hectolitre for intermediate products such as fortified wines. 5. The rate for still wine will be 17 ECU per hectolitre. 6. The rate for sparkling wine will be 30 ECU per hectolitre. 7. The rate for beer will be 1.36 ECU per hectolitre/degree Plato at a temperature of 15°C. 8. The rates of duty will be adjusted periodically according to provisions to be adopted before 1.1.89. | | | | | | |
| 4) <i>Opinion of the European Parliament</i> | Not yet given. | | | | | | |
| 5) <i>Current status</i> | The Parliament is preparing its opinion on the proposal. | | | | | | |
| 6) <i>References</i> | <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Commission Proposal</td> <td>Official Journal C 250, 18.9.87</td> </tr> <tr> <td>European Parliament Opinion</td> <td></td> </tr> <tr> <td>Economic and Social Committee Opinion</td> <td>Official Journal C 237, 12.9.88</td> </tr> </table> | Commission Proposal | Official Journal C 250, 18.9.87 | European Parliament Opinion | | Economic and Social Committee Opinion | Official Journal C 237, 12.9.88 |
| Commission Proposal | Official Journal C 250, 18.9.87 | | | | | | |
| European Parliament Opinion | | | | | | | |
| Economic and Social Committee Opinion | Official Journal C 237, 12.9.88 | | | | | | |



4. EXCISE DUTIES

4.9 Harmonization: cigarettes

1) <i>Objective</i>	To approximate the rates of the excise duties and VAT on cigarettes in the Member States.						
2) <i>Proposal</i>	Proposal for a Council Directive on the approximation of taxes on cigarettes.						
3) <i>Contents</i>	<p>1. The Directive imposes an obligation on the Member States to apply to cigarettes:</p> <ul style="list-style-type: none"> - a specific excise duty per unit - a proportional excise duty calculated on the basis of the maximum retail selling price - value added tax proportional to the retail selling price. <p>This is already the system which is in force and the principal effect of the Directive will be to lay down the rates of taxes as stated below.</p> <p>2. By 31.12.92 the specific excise duty shall be 19.5 ECU per 1000 cigarettes. This amount will be adjusted periodically in line with the general consumer price index in the Community, 1987 being taken as the base year.</p> <p>3. By 31.12.92 the proportional excise duty shall be fixed in such a way that the combined incidence of this rate and the VAT rate lies between 52% and 54% of the retail selling price inclusive of all taxes.</p> <p>4. Before 1.1.89, the Council should adopt directives governing the periodic adjustments of the specific excise duty, the arrangements for collecting tax and the time allowed for payment of tax.</p>						
4) <i>Opinion of the European Parliament</i>	Not yet given.						
5) <i>Current status</i>	The Parliament is preparing its opinion on the proposal.						
6) <i>References</i>	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Commission Proposal</td> <td>Official Journal C 251, 19.9.87</td> </tr> <tr> <td>European Parliament Opinion</td> <td></td> </tr> <tr> <td>Economic and Social Committee Opinion</td> <td>Official Journal C 237, 12.9.88</td> </tr> </table>	Commission Proposal	Official Journal C 251, 19.9.87	European Parliament Opinion		Economic and Social Committee Opinion	Official Journal C 237, 12.9.88
Commission Proposal	Official Journal C 251, 19.9.87						
European Parliament Opinion							
Economic and Social Committee Opinion	Official Journal C 237, 12.9.88						

4. EXCISE DUTIES

4.10 Harmonization: manufactured tobacco other than cigarettes

- 1) *Objective* To harmonize the structure of excise duties on cigars, cigarillos, smoking tobacco, chewing tobacco and snuff and bring the excise and VAT rates closer together.
- 2) *Proposal* **Proposal** for a Council Directive on the approximation of taxes on manufactured tobacco other than cigarettes.
- 3) *Contents*
1. The proposed Directive applies to *cigars and cigarillos, smoking tobacco, chewing tobacco and snuff*.
 2. The Member States shall apply to these products an *ad valorem* excise duty calculated on the basis of the maximum retail selling price freely determined by the manufacturer or importer.
 3. The rate of the *ad valorem* duty shall be fixed at such a level that the total tax burden of excise duty and VAT is:

Product	Proportion of the retail selling price
cigars and cigarillos	34% - 36%
smoking tobacco	54% - 56%
chewing tobacco and snuff	41% - 43%
 4. These rates shall be applied to all products in a given category without distinction as to quality, presentation, origin, the materials used, the characteristics of the firms involved or any other criterion.
 5. Provisions relating to the collection of duty and the time allowed for payment will be adopted before 1.1.89.
- 4) *Opinion of the European Parliament* Not yet given.
- 5) *Current status* The Parliament is preparing its opinion on the proposal.
- 6) *References*
- | | |
|---------------------------------------|---------------------------------|
| Commission Proposal | Official Journal C 251, 19.9.87 |
| European Parliament Opinion | |
| Economic and Social Committee Opinion | Official Journal C 237, 12.9.88 |



4. EXCISE DUTIES

4.11 Harmonization: mineral oils

- 1) *Objective* To introduce common rates of excise duties on mineral oils.
- 2) *Proposal* **Proposal** for a Council Directive on the approximation of the rates of excise duty on mineral oils.
- 3) *Contents* 1. The Member States shall apply the specified common rates of excise duties on mineral oils by 31.12.92.
- | <u>Mineral oil</u> | <u>Rate (ECU/1000 litres)</u> |
|--|-------------------------------|
| leaded petrol | 340 |
| unleaded petrol | 310 |
| diesel | 177 |
| heavy fuel oil | 17 (ECU/1000 kg) |
| heating gas oil | 50 |
| liquid petroleum gas used as road fuel | 85 |
| methane used as road fuel | 85 |
| kerosene when used as a propellant | 340 |
| kerosene when used for other purposes | 50 |
2. The rates of excise duty will be adjusted periodically according to provisions to be adopted before 1.1.89.
- 4) *Opinion of the European Parliament* Not yet given.
- 5) *Current status* The Parliament is preparing its opinion on the proposal.
- 6) *References*
- | | |
|---------------------------------------|---------------------------------|
| Commission Proposal | Official Journal C 262, 1.10.87 |
| European Parliament Opinion | |
| Economic and Social Committee Opinion | Official Journal C 237, 12.9.88 |





4. EXCISE DUTIES

4.12 Committee on excise duties

- 1) *Objective* To create a committee of Member State representatives so as to enable the Community to adopt by a simple and accelerated procedure purely technical measures required for the implementation of directives on excise duties.
- 2) *Proposal* **Proposal** for a Council Decision setting up a Committee on Excise Duties.
- 3) *Contents*
1. The Committee shall be made up of representatives of the Member States and a representative of the Commission who will act as chairman.
 2. The principal task of the Committee will be to express opinions on draft measures for implementing directives on the harmonization of excise duties. These drafts will be drawn up by the Commission and submitted to the Committee by the Commission's representative.
 3. The Committee expresses its opinion on the planned measures by a weighted majority vote. If the Commission agrees with that opinion it shall adopt the planned measures. If it does not agree, or if the Committee does not express an opinion the Commission shall immediately submit a proposal to the Council. If the Council does not take a decision within 3 months, the Commission shall adopt the measures.
 4. The Committee can also examine any other questions concerning the application of excise duty harmonization directives, at the request of the chairman or Member State representatives.
- 4) *Opinion of the European Parliament*
- 5) *Current status* The proposal is before the Council for adoption.
- 6) *References*
- | | |
|---------------------------------------|--------------------------------|
| Commission Proposal | Official Journal C 43, 29.4.72 |
| European Parliament Opinion | Official Journal C 48, 25.4.74 |
| Economic and Social Committee Opinion | Official Journal C 36, 1.6.73 |

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