Excise duty: reduced rate on "traditional" rum produced in French overseas departments

2007/0131(CNS) - 09/10/2007 - Final act

PURPOSE: authorising France to apply a reduced rate of excise duty on “traditional” rum produced in its overseas departments.

LEGISLATIVE ACT: Council Decision (2007/659/EC) authorising France to apply a reduced rate of excise duty on ‘traditional’ rum produced in its overseas departments and repealing Decision 2002/166 /EC.

BACKGROUND: on the basis of provisions set out in the Treaty on European Union (Article 299(2)) (and which applies to the French overseas departments), the Council adopted Decision 2002/166/EC , which authorises France to extend the application of a reduced rate of excise duty on ‘traditional’ rum produced in its overseas departments. Compared with the rates of taxation applied to similar products not originating in the French overseas departments, the reduced rate may be lower than the minimum rate of excise duty on alcohol set by current EU legislation. However, it may not be more than 50 % lower than the standard national excise duty on alcohol.

In 2005 the French Government presented a mid-term report indicating that it was vital that the tax arrangements for traditional rum marketed in mainland France be maintained. Furthermore, France asked that the volume and duration of the tax arrangements for traditional rum on the mainland market be extended.

Maintaining the cane-sugar-rum sector in the overseas departments is vital to the French overseas departments economic and social balance. In the three departments most affected, Réunion, Guadeloupe and Martinique, the sector produces an annual turnover of over EUR 250 000 000 and provides some 40 000 jobs, including 22 000 direct jobs. The cultivation of cane also has a positive impact on the environment.

Given the small scale of the local market, the overseas departments’ distilleries can continue their activities only if they have sufficient access to the market in mainland France, which is the main outlet for their rum production (over 50 % of the total). Since 2002 the total volume shipped to the Community market has fallen by 12 %, from 176 791 hectolitres of pure alcohol to 155 559 hectolitres of pure alcohol.

Only the market in mainland France, where rum from the overseas departments qualifies for special tax arrangements that partially compensate its high cost price, has enabled the overseas departments’ rum industry to survive. Since the competitiveness of traditional rum from the overseas departments needs to be supported on the market in mainland France in order to safeguard the activity of their sugar-cane-rum sector, the quantities of traditional rum originating in the overseas departments eligible for a reduced rate of excise duty when released for consumption on that market should be reviewed.

CONTENT: based on the above reasoning the purpose of this Council Decision is to authorise France to apply from 1 January 2007 until 31 December 2012, a reduced rate of excise duty on “traditional” rum produced in its overseas departments in respect of a quota of 108 000 HPA. The reduced rate may be lower than the minimum rate of excise duty on alcohol set by Directive 92/84/EEC, but may not be more than 50 % lower than the standard national excise duty on alcohol. By 30 June 2010 at the latest, France is expected to prepare a report justifying a prolongation of the current authorisation.

APPLY: 1 January 2007 until 31 December 2012.