

# Excise duties: reduced rate on locally produced beer in the autonomous region of Madeira

2007/0273(CNS) - 06/12/2007 - Legislative proposal

**PURPOSE:** to apply a lower rate of excise to locally produced beer in the autonomous region of Madeira.

**PROPOSED ACT:** Council Decision.

**BACKGROUND:** the Community framework concerning excise duty on alcohol and alcoholic beverages is laid down in two Directives: Council Directive 92/83/EEC and Council Directive 92/84/EEC. These Directives contain provision allowing for the application of reduced rates of excise duty, which is not allowed to be set more than 50% below the standard national rate, on beer produced by independent small breweries. Breweries to which these provisions apply are defined as breweries whose annual beer production does not exceed 200 000 hectolitres. Based on these defining provisions, the breweries located in Madeira already benefit from the full 50% reduced rate under the corresponding national provisions. However, mainly as a result of increased tourism, one of the two breweries located in Madeira is close to approaching the annual production of 200 000 hectolitre, whereupon its entitlement to reduced rates under existing provisions will cease.

To recall, Article 299(2) of the EC Treaty takes specific account of the special characteristics and constraints of the outermost regions without undermining the integrity and the coherence of the Community legal order, including the internal market and common policies. Within this context Portugal has requested a derogation from Article 90 of the Treaty in order to apply a rate of excise duty, lower than the national rate fixed in accordance with Council Directive 92/84/EEC on the approximation of the rates of excise duty on alcohol and alcoholic beverages to beer produced in Madeira. The request, if approved, will apply to cases where the annual production of the brewery concerned exceeds 200 000 hectolitres but not 300 000 hectolitres. However, this should apply only to the extent that it is consumed in Madeira in order not to undermine the single market.

Portugal points out that the continued application of a reduced rate of duty to beer locally produced in Madeira by breweries whose annual production does not exceed 3000 000 hectolitres is considered essential for the survival of the local brewing industry. The main disadvantages faced by the breweries in question arise from their remoteness, fragmented terrain and tight local markets. These problems are compounded by the strong competition that they face from beer imports stemming from other EU Member States. These breweries, upon reaching annual production of 200 000 hectolitres, cease to be "small" as defined by EU provisions. They will, nonetheless, continue to be small compared to the large national and multi-national breweries with whom they compete

**CONTENT:** the purpose of this proposal, therefore, is to authorise Portugal to apply until 31 December 2013 a reduced rate of excise duty, which may fall below the minimum rate but which will not be set more than 50% lower than the standard national excise duty rate for Portugal. It will apply to beer produced in the autonomous region of Madeira by independent breweries whose total annual production does not exceed 300 000 hectolitres. Thus, production in excess of 200 000 hectolitres will benefit from the reduced rate only to the extent that it is locally consumed.