Excise duties: reduced rate on locally produced and consumed alcohol in the autonomous regions of Madeira and the Azores

2009/0075(CNS) - 09/06/2009 - Legislative proposal

PURPOSE: to authorise Portugal to apply, from 1 January 2009 to 31 December 2013, a reduced rate of excise duty applicable to certain products in Madeira and the Azores.

PROPOSED ACT: Council Decision.

BACKGROUND: Decision 2002/167/EC authorised Portugal to apply a reduction in the rate of excise duty on rum and liqueurs locally produced and consumed in the autonomous region of Madeira and on liqueurs and eaux-de-vie locally produced and consumed in the autonomous region of the Azores. The reduced rate applied must not be more than 75% lower than the standard national excise duty on alcohol. This decision ceased to have effect on 31 December 2008. Portugal has sought an extension of this authorisation until 31 December 2013. The Portuguese authorities have provided additional information aiming to demonstrate that it is necessary to extend the reduced rate of excise duty beyond the end of 2008 in order to maintain the production of rum, liqueurs and/or eaux-de-vie and associated agricultural activities.

At present, nine companies are registered to produce rum and/or liqueurs in Madeira; nine companies produce liqueurs and 38 companies produce eaux-de-vie in the Azores. The local industry employs around 130 workers in Madeira and around 90 workers in the Azores. In Madeira, the cultivation and processing of sugar cane and fruits provides work for around 1 000 family-owned agricultural holdings.

In 2007 the market share of the products benefiting from a reduced rate of excise duty was lower than that of similar products imported or supplied from other parts of the Community (20.3 % in Madeira; 38.9% in the Azores) from which these products therefore face strong competition. Furthermore, notwithstanding the application of a reduced rate of excise duty, the average retail selling price (including tax) in Madeira and in the Azores of locally produced rum, liqueurs or eaux-de-vie is higher than that of similar products from outside these regions. The main handicaps faced by the producers of rum, liqueurs and/or eaux-de-vie arise from additional costs linked to the factors identified in Article 299(2) of the Treaty (i.e. remoteness, insularity, small size, difficult topography, and climate).

IMPACT ASSESSMENT: the economic impact of the proposal concerns in essence producers of rum and liqueurs in Madeira and producers liqueurs and eaux-de-vie in the Azores and can, therefore, be considered as minimal. If such producers were to lose the benefit of the reduced rate of excise duty, the resulting increase in retail selling price would risk jeopardising the subsistence and survival of these economic sectors, as well as employment directly and indirectly connected to them.

CONTENT: it is proposed to authorise Portugal to apply, from 1 January 2009 to 31 December 2013, a reduced rate of excise duty applicable to locally produced and consumed rum and liqueurs in the autonomous region of Madeira and to locally produced and consumed liqueurs and eaux-de-vie in the autonomous region of the Azores. 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 75% lower than the standard national excise duty on alcohol. This corresponds to the authorisation granted from 1 January 2002 until 31 December 2008 by Decision 2002/167/EC.

BUDGETARY IMPLICATIONS: the proposal has no implication for the Community budget.