

# Excise duty: structure and rates applied on manufactured tobacco

2008/0150(CNS) - 16/02/2010 - Final act

**PURPOSE:** to amend Community legislation regarding excise duty on tobacco.

**LEGISLATIVE ACT:** Council Directive 2010/12/EU amending Directives 92/79/EEC, 92/80/EEC and 95/59/EC on the structure and rates of excise duty applied on manufactured tobacco and Directive 2008/118/EC.

**CONTENT:** the Council adopted a directive updating EU rules on the structure and rates of excise duties on cigarettes and other tobacco products. The Directive is intended to ensure a higher level of public health protection by raising minimum excise duties on cigarettes, whilst bringing the minimum rates for fine-cut tobacco gradually into line with those for cigarettes.

The outcome of a fourth four-yearly review of tobacco taxation under directives 92/79, 92/80 and 95/59, the Directive is aimed at modernising and simplifying the rules and making them more transparent.

The new Directive includes the following provisions:

**Cigarettes:** the Council decided to increase, by 1 January 2014, the monetary minimum excise rate to EUR 90 per 1000 cigarettes and the proportional minimum to 60% of the weighted average sales price, from EUR 64 per 1000 and 57% at present. However, Member States which levy an excise duty of at least EUR 115 per 1 000 cigarettes on the basis of the weighted average retail selling price need not comply with the 60 % requirement. France may continue to apply for the period from 1 January 2010 to 31 December 2015, a reduced rate of excise duty to cigarettes released for consumption in the departments of Corsica up to an annual quota of 1 200 tonnes.

**Transitional period for cigarettes:** the new rules allow for transitional arrangements until 1 January 2018 for Member States that have not yet achieved, or have only recently achieved, the current minimum rates, namely Bulgaria, Greece, Estonia, Latvia, Lithuania, Hungary, Poland and Romania.

**Quantitative restrictions for cigarettes:** the Directive allows Member States not benefiting from the transition to impose a quantitative limit of at least 300 cigarettes on the number of cigarettes that may be brought into their territory from Member States applying transitional arrangements. It also allows Member States applying those arrangements, once their rates have reached EUR 77 per 1000 cigarettes, to apply quantitative limits with regard to Member States whose rates have not yet reached an equal monetary level.

**Fine-cut tobacco:** the Council decided to increase the minimum excise duty requirements for fine-cut tobacco as follows: Member States will comply with either a proportional minimum or a monetary minimum, amounting to 40% of the weighted average sales price and EUR 40 per kg on 1 January 2011, 43% and EUR 47/kg on 1 January 2013, 46% and EUR 54/kg on 1 January 2015, 48% and EUR 60/kg on 1 January 2018 and 50% and EUR 60/kg on 1 January 2020.

**Report:** every 4 years, the Commission shall submit to the Council a report and, where appropriate, a proposal concerning the rates and the structure of excise duty laid down in the Directive. The report by the Commission shall take into account the proper functioning of the internal market, the real value of the rates of excise duty and the wider objectives of the Treaty.

ENTRY INTO FORCE: 27/02/2010.

TRANSPOSITION: 01/01/2011.