Excise duty: reduced rate on rum produced in French overseas departments, period of application and annual quota

2011/0248(CNS) - 22/09/2011 - Legislative proposal

PURPOSE: to amend Decision 2007/659/EC as regards its period of application and the annual quota benefiting from a reduced rate of excise duty.

PROPOSED ACT: Council Decision.

BACKGROUND: Council Decision 2007/659/EC authorises France to apply to 'traditional' rum produced in its overseas departments and sold on the French mainland a reduced rate of excise duty which may be lower than the minimum rate of excise duty set by Directive 92/84/EEC but not more than 50% lower than the standard national excise duty on alcohol. The reduction in excise duty is limited to an annual quota of 108 000 hl of pure alcohol. The derogation expires on 31 December 2012.

On 29 June 2010, the French authorities sent the Commission the report provided for in Article 4 of Decision 2007/659/EC. The report contains two requests:

the French authorities ask that the annual quota be increased from 108 000 hectolitres to 125 000 hectolitres of pure alcohol to reflect developments on the market for rum in the EU;

they request an extension by one year, i.e. to 31 December 2013, of the period of application of Decision 2007/659/EC so as to bring it into line with that of the State aid decision on the same issue taken by the Commission on 27 June 2007 (State aid No N 530/2006).

IMPACT ASSESSMENT: there was no need for external expertise and no impact analysis has been carried out. The French authorities have provided statistics on the quantities of rum released for consumption, however, and these have been examined carefully.

The information provided by the French authorities shows that quantities of 'traditional' rum coming onto the market at the reduced rate of excise duty have grown since the adoption of Decision 2007/659/EC, from 96 100 hectolitres of pure alcohol in 2007 to 105 700 hectolitres in 2010, i.e. an annual increase of 3.2%. If this trend continues, the quantities of 'traditional' rum coming onto the market should be around 109 100 hectolitres of pure alcohol in 2011, 112 600 hectolitres in 2012 and 116 200 hectolitres in 2013, thus exceeding the 108 000 hectolitre quota provided for by Decision 2007/659/EC.

LEGAL BASIS: Article 349 of the TFEU.

CONTENT: in line with the above findings, the Commission proposes:

- **that the 108 000 hectolitre quota established under Decision 2007/659/EC be increased to 120 000 hectolitres**. Increasingthe quota to 120 000 hectolitres would cover annual growth of 4.3%, i.e. a little more than the3.2% increase recorded in 2007-10;
- **extending by one year** the period of application of Decision 2007/659/EC so as to bring it into line with that of the State aid decision on the same issue.

BUDGETARY IMPLICATIONS: the proposal has no impact on the budget of the European Union.