

Excise duty and VSS: application by France of a reduced rate on 'traditional' rum produced in Guadeloupe, French Guiana, Martinique and Réunion in 2014-2020

2013/0413(CNS) - 25/11/2013 - Legislative proposal

PURPOSE: [to authorise France to apply a reduced rate of certain indirect taxes on 'traditional' rum produced in Guadeloupe, French Guiana, Martinique and Réunion.](#)

PROPOSED ACT: Council Decision.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

BACKGROUND: Council Decision^o2007/659/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. From 1 January 2011, the reduction in excise duty is limited to an annual quota of 120 000 hl of pure alcohol. The derogation expired on 31 December 2013.

On 12 March 2013, the French authorities asked the Commission to submit a proposal for a Council Decision extending the derogation in Council Decision 2007/659/EC under the same conditions, for a further seven years until 31 December 2020. They also asked the Commission to extend the scope of the Council Decision so as to apply also to the “cotisation sur les boissons alcooliques” (also known as the “Vignette Sécurité Sociale (VSS)), and to amend Council Decision 2007/695/EC retroactively, i.e. as of 1 January 2012 by extending it to cover the VSS so that a lower rate can be applied to 'traditional' rum produced in the four French outermost regions.

Given the small scale of the local market, the overseas departments' distilleries can develop their activities only if they have sufficient access to the market in mainland France, which is the main outlet for their rum (71% of rum).

The Commission recommends adopting **a new Decision on a derogation covering both taxes:** the differentiation of the excise duty as set out in Directive 92/84/EEC and the VSS, instead of extending the derogation set out in Decision 2007/659/EC.

CONTENT: the proposal aims to **authorise France to apply, from 1 January 2014 to 31 December 2020, a reduced rate of excise duty and of the levy called “cotisation sur les boissons alcooliques” (VSS) to 'traditional' rum produced in Guadeloupe, French Guiana, Martinique and Réunion for an annual quota of 120 000 hectolitres of pure alcohol.**

It is proposed that France be allowed to apply a reduced rate of excise duty and VSS of **up to 50%** of the respective standard rates but that the cumulative reduction in both excise duty and VSS should not be higher than 50% of the full rate for alcohol set in application of Directive 92/84/EEC.

For 2012 and 2013, the proposal aims to **include the VSS within its scope, retroactively**, i.e. as of 1 January 2012 so that a lower rate of VSS can be applied for ‘traditional’ rum produced in Guadeloupe, French Guiana, Martinique and Réunion.

The Commission also proposes that the French authorities **send a mid-term report** to the Commission by 31 July 2017 in order to assess whether the reasons which justify the granting of the tax derogation still apply and whether the fiscal advantage granted by France remains proportionate and sufficient to compensate the cane-sugar-rum value chain in Guadeloupe, French Guiana, Martinique and Réunion. This mid-term report shall also include up-dated information on the associated marketing costs.

In case the information provided demonstrates that the tax derogation is not, partly or entirely, justified any more, or is less suitable than alternative measures, a phasing out process could be introduced until the end of the period.