Reduced rate of excise duty on locally produced and consumed alcohol in the autonomous regions of Madeira and the Azores (2014-2020)

2014/0064(CNS) - 05/03/2014 - Legislative proposal

PURPOSE: to authorise Portugal to apply a reduced rate of excise duty in the autonomous region of Madeira on locally produced and consumed rum and liqueurs and in the autonomous region of the Azores on locally produced and consumed liqueurs and eaux-de-vie.

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 2009/831/EC authorised Portugal to apply a reduced rate of excise duty in the autonomous region of Madeira on locally produced and consumed rum and liqueurs and in the autonomous region of the Azores on locally produced and consumed liqueurs and eaux-de-vie which may be lower than the minimum rate of excise duty set by Directive 92/84/EEC but not more than 75% lower than the standard national excise duty on alcohol.

The Portuguese authorities requested the renewal of the authorisation to apply a reduced rate of excise duty in the autonomous region of Madeira on locally produced and consumed rum and liqueurs and in autonomous region of the Azores on locally produced and consumed liqueurs and eaux-de-vie until 31 December 2020. The granting of the new authorisation is justified in order to avoid endangering the development of these outermost regions. Faced with difficulties in exporting outside the regions, the regional markets are the only possible outlets to sell those products.

The detailed calculations provided in the reports presented by Portugal confirm that the reduction of 75% of the rate of excise duty does not offset completely the competitive disadvantage which distilled alcoholic beverages produced in Madeira and Azores face as a result of higher production and marketing costs. Therefore, a reduction of the rate of excise duty should continue to be authorised at the level requested.

CONTENT: the proposed Decision **authorises Portugal to apply form 1 July 2014 to 31 December 2020 a reduced rate of excise duty** in the autonomous region of Madeira on locally produced and consumed rum and liqueurs and in the autonomous region of the Azores on locally produced and consumed liqueurs and eaux-de-vie which may be lower than the minimum rate of excise duty set by Directive 92/84/EEC but not more than 75% lower than the standard national excise duty on alcohol.

The Portuguese authorities will have to send a mid-term report to the Commission by 30 September 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 Portugal remains proportionate.