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) - 20/02/2014 - Final act

PURPOSE: to authorise France to apply a reduced rate of certain indirect taxes on ‘traditional’ rum produced in Guadeloupe, French Guiana, Martinique and Réunion.

LEGISLATIVE ACT: Council Decision No 189/2014/EU authorising France to apply a reduced rate of certain indirect taxes on ‘traditional’ rum produced in Guadeloupe, French Guiana, Martinique and Réunion and repealing Decision 2007/659/EC.

CONTENT: Council Decision 2007/659/EC authorised France to apply to ‘traditional’ rum produced in Guadeloupe, French Guiana, Martinique and Réunion 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 Council Directive 92/84 /EEC but not more than 50 % lower than the standard national excise duty on alcohol. As of 1 January 2011, the reduced rate of excise duty is limited to an annual quota of 120 000 hectolitres of pure alcohol (hlpa). That derogation expired on 31 December 2013.

The French authorities asked the Commission to submit a proposal for a Council decision extending the derogation set out in Decision 2007/659/EC, under the same conditions, for seven years, until 31 December 2020.

It is necessary to **remedy the difficulty for ‘traditional’ rum to compete on the Union market**. ‘Traditional’ rum sold in French mainland is typically marketed in bigger bottles (60 % of rum is sold in bottles containing 1 litre) and at higher levels of alcohol (ranging from 40° to 59°) than competing rums, which are typically marketed in smaller bottles. The higher levels of alcohol content trigger in turn higher excise duties, a higher VSS and, in addition, a higher value added tax (VAT) per litre of rum sold. Given the small scale of the local market, the distilleries in the four outermost regions concerned can develop their activities only if they have sufficient access to the market in the French mainland, which is the main outlet for their rum (71 %).

Under these circumstances, France is authorised to **extend from 1 January 2014 until 31 December 2020** , the application on the French mainland, to ‘traditional’ rum produced in Guadeloupe, French Guiana, Martinique and Réunion, of **a rate of excise duty lower** than the full rate for alcohol and to apply a rate of the levy called ‘cotisation sur les boissons alcooliques’ (VSS) lower than the full rate applicable according to the French national legislation.

The cumulative tax advantage authorised shall **not exceed 50% of the full rate for alcohol**.

The derogation shall be limited to rum produced from sugar cane harvested at the place of manufacture, having a content of volatile substances other than ethyl and methyl alcohol equal to or exceeding 225 grams per hectolitre of pure alcohol and an alcoholic strength by **volume of 40° or more**. This derogation shall be confined to an **annual quota of 120 000 hectolitres of pure alcohol**.

By 31 July 2017, France shall submit a **report to the Commission** to enable it to assess whether the reasons justifying the derogation still exist and whether the fiscal advantage granted by France has remained and is expected to remain proportionate and sufficient to support a competitive cane- sugar-rum value chain in Guadeloupe, French Guiana, Martinique and Réunion.

ENTRY INTO FORCE: this Decision shall apply from 1 January 2014 until 31 December 2020.