Reduced rate of certain indirect taxes on "traditional" rum produced in Guadeloupe, French Guiana, Martinique and Réunion

2017/0127(CNS) - 09/06/2017 - 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: traditional rum from France’s outermost regions has been subject to special excise duty arrangements on the French mainland market since 1923. Since the creation of the internal market and the harmonisation of excise duty in Europe, these special excise duty arrangements have been extended with EU approval.

Council Decision No 189/2014/EU authorised France to extend 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 set by Council Directive 92/84/EEC and to apply a rate of the levy known in French as ‘cotisation sur les boissons alcooliques’ (VSS) lower than the full rate applicable under French national legislation to ‘traditional’ rum produced in Guadeloupe, French Guiana, Martinique and Réunion.

According to Council Decision No 189/2014/EU, the reduced rates of excise duty and of VSS applicable to ‘traditional’ rum shall be **confined to an annual quota of 120 000 hectolitres of pure alcohol (‘hap’)**.

On 22 September 2016, the French authorities asked the Commission to present a draft technical adaptation of Council Decision No 189/2014/EU increasing the annual quota from 120 000 to 144 000 hap.

The Commission emphasises that the urgency of the increase is evident:

- the quota of 120 000 hap for 2016 was used before the end of 2016; without a retroactive increase with effect from 1 January 2016, producers will suffer significant – and likely irreparable – harm;
- not increasing the quota would weaken rum producers in France’s outermost regions in terms of their commercial strategies for 2017;
- exports of traditional rum to the EU from Guadeloupe, French Guiana, Martinique and Réunion has drastically fallen since 2012.

Therefore, the annual quota shall be increased from 120 000 hap to 144 000 hap.

CONTENT: the proposal amending Council Decision No 189/2014/EU provides that the reduced rates of excise duty and of VSS and applicable to the rum shall be confined, **for the period between 1 January 2016 and 31 December 2020**, to an annual quota of **144 000 hectolitres of pure alcohol**.

The increase in the quota is a retroactive and limited adaptation bringing it up to a level consistent with the annual growth rates already envisaged by the Council. The other parameters of Decision No 189/2014 /EU are unchanged.

An independent economic analysis carried out by the Commission concluded that French imports of traditional rum from Guadeloupe, French Guiana, Martinique and Réunion represented only a small proportion of total alcohol consumption in France. Therefore, the presence of a **reduced rate for rum was not likely to create distortions of competition** on the French rum market.