Products eligible for exemption from or a reduction in dock dues

2018/0417(CNS) - 13/12/2018 - Legislative proposal

PURPOSE: to allow a greater number of local products to benefit from tax exemptions or reductions in the outermost regions of the EU of Guadeloupe, French Guiana, Martinique and Réunion.

PROPOSED ACT: Council Directive.

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

BACKGROUND: the dock dues tax is an indirect tax in force only in the French outermost regions of Martinique, Guadeloupe, French Guiana, Réunion and Mayotte.

EU law does not in principle authorise any difference in the French outermost regions between the taxation of local products and the taxation of products from metropolitan France, the other Member States or non-member countries. However, Article 349 TFEU envisages the possibility of introducing specific measures for those regions because of the existence of permanent handicaps affecting the economic and social situation of the outermost regions. Such measures concern various policies, including taxation.

Council Decision No 940/2014/EU thus authorises France to provide for exemptions or reductions in dock dues for certain products manufactured in the French overseas departments from 1 July 2015 to 31 December 2020.

On 12 February 2018, the French authorities sent the Commission a report on the application of the tax arrangement provided for in that decision. On the basis of the report from the French authorities, the Commission submitted a proposal to adapt that decision.

The proposed measures aim to encourage economic activity and maintain the competitiveness of local products in the French outermost regions. The Commission considers that adapting the list of products to which differentiated taxation may be applied is the only way of ensuring the maintenance and development of local production activities in these outermost regions.

CONTENT: The proposal consists of the **inclusion of new products** on the list in the Annex to Decision No 940/2014/EU and an **increase, for certain products, of the authorised tax differential**. The planned adaptations concern Martinique, Guadeloupe, French Guiana and Réunion.

The products for which the French authorities requested inclusion or reclassification on lists represent declared local production of EUR 225 million in 2016 and imports roughly equivalent to EUR 212 million. The categories represented by these products are very diverse.

For each of these products, the Commission checked the justification for differentiated taxation and whether it was proportionate by ensuring that differentiated taxation did not undermine the integrity and coherence of the EU legal order, including the internal market and common policies.

With regard to local products occupying almost the entire market so that the share of ‘imported’ products is very low, the Commission satisfied itself that there was an imminent and grave risk to local production.

In addition to the immediate adaptation of the lists, a comprehensive review of the Decision, applying ‘better regulation’ tools, will be carried out when the arrangements are renewed. Work on this will start at the beginning of 2019.