Reduced rate of excise duty on certain alcoholic products produced in the autonomous regions of Madeira and the Azores

2020/0118(CNS) - 18/06/2020 - Legislative proposal

PURPOSE: to authorise Portugal to apply a reduced rate of excise duty on certain alcoholic products produced in the autonomous regions of Madeira and the Azores.

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: the current decision authorises Portugal to apply excise duty rates reduced by up to 75% of the standard Portuguese rates to rum and liqueurs produced and consumed in Madeira and liqueurs and eaux-de-vie produced and consumed in the Azores.

The objective of this measure is to compensate the producers of the Portuguese outermost regions for their competitive disadvantage triggered by the Portuguese outermost regions' remoteness, insularity, small size, difficult topography and climate and economic dependence on a few products, which severely restrain their development.

In view of the fact that the current Decision expires on 31 December 2020, the Commission has launched an external study to evaluate the current regime. The study found that, compared to their counterparts on the mainland, producers in the outermost regions continue to bear higher production costs, which are currently offset by the reduction in the rate of excise duty.

The external study notes rum is now being produced in the Azores, but is not included in the current regime. However, the regime covers rum produced in Madeira, which leads to an uneven playing field amongst rum producers of the two outermost regions.

The study notes that further to the added rum production in the Azores, rum production in Madeira is increasing and due to the limited market in the outermost regions, not all rum can be sold locally.

For reasons of clarity, the Commission considers it necessary to renew the authorisation provided for in Decision No 376/2014/EU and to extend its scope.

CONTENT: the Commission proposes to adopt a new decision authorising Portugal to apply a reduced rate of excise duty in the autonomous regions of Madeira and the Azores.

This proposal entails renewing the derogation until 2027, extending it to cover sales on the Azores of locally produced rum with the rate of reduction maintained at 75%, and also extending it to provide a 50% reduction in the rate of excise duty on sales on the Portuguese mainland of all products covered.

In order to allow the Commission to assess whether the conditions justifying the authorisation continue to be fulfilled Portugal should submit to the Commission a monitoring report by 30 September 2025.