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

2020/0150(CNS) - 24/07/2020 - Legislative proposal

PURPOSE: to authorise France to apply, for certain indirect taxes, a reduced rate to ‘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: the current Council Decision No 189/2014/EU authorises France to apply a reduced rate of certain indirect taxes to traditional rum produced in the French outermost regions of Guadeloupe, French Guiana, Martinique and Réunion when it is transported to mainland France for consumption. The reduction in the indirect taxes may not exceed 50% of the French standard excise duty on alcohol and is limited to an annual quota of 144 000 hectolitres of pure alcohol. The derogation expires on 31 December 2020.

The aim of this regime is to compensate for the higher production cost of traditional rum in the French outermost regions and guarantee market access to the French mainland, which is their main market outlet.

The external study confirmed the relevance of the regime. Through the increase in rum production that it induced and the consequent increase in demand for sugarcane, the regime would have made it possible to produce 53 000 tons of sugarcane, which would have resulted in the creation of 400 jobs in the cane-sugar-rum value chain. The study showed that the regime was effective in maintaining access to the French market in absolute terms. However, the overall efficiency of the regime is reduced by the quota mechanism. The study also indicated that the overall efficiency could be enhanced by an improved monitoring framework.

On 18 October 2019, the French authorities asked the Commission to submit a proposal for a Council Decision extending the time limit of the authorisation set out in Decision 189/2014/EU, with a higher quota for another seven year period, from 1 January 2021 until 31 December 2027.

CONTENT: based on the analytical document accompanying this proposal, which examines the current regime as well as the potential impacts of possible options for the period after 2020, the Commission proposes to renew the regime until 2027 with an increased annual quota of 153 000 hectolitres of pure alcohol (hlpa). The maximum rate of reduction is maintained at 50%. This measure intends to tackle the identified problem of the fixed quota, which has resulted in the quota being periodically adjusted by means of amendments to the Council Decisions, typically applied retrospectively. The small increase in the quota, moreover, ensures coherence with public health and competition policy.

The monitoring of the implementation and functioning of the derogation shall be the role of the French authorities and the Commission, as it has been to date. France shall be asked to submit a report by 30 September 2025 for the period from 2019 to 2024. This report shall include the following:

- information on additional costs involved in production;

- economic distortions and market impacts;

- information for the evaluation of the effectiveness, efficiency, coherence with other EU policies;

- information on continued relevance and EU added value of the new legislation.