

Taxation of energy products and electricity

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The Committee regrets that no clear indications have been given about tax neutrality. Experience unfortunately shows that newly introduced energy taxes are not balanced by corresponding reductions elsewhere in the tax system. The Committee therefore urges the European Council, in parallel with the decision on the directive in the Council, to give a commitment to use any increase in tax revenues to reduce the burden of taxation on employment. Since private households will be hit especially hard by any increase in minimum tax rates, compensatory social measures should be taken to help low-income groups in particular. The Committee has the impression that the proposal has been prompted less by environmental objectives than by the desire to make the single market operate more efficiently by reducing distortions of competition caused by taxation. This specific objective is welcomed wholeheartedly, especially as tax policy issues in the single market are becoming of ever-increasing importance with economic and monetary union pending. The Committee feels that distortions of competition are particularly marked in the fuels sector. For the rest, the Committee does not expect this proposal to endanger the planned liberalization of EU energy markets. A big advantage in this proposal compared with the proposed CO₂/energy tax lies at the technical level. The Commission's proposal to tax the final form of energy will involve much less red tape than a tax on primary energy.