Excise duties, mineral oils: taxation of aircraft fuel

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PURPOSE : to present a Communication from the Commission on the taxation of aircraft fuel.
CONTENT : the structure of the taxation of mineral oils within the Community is currently governed by Council Directive 98/81/EEC on the harmonisation of the structures of excise duties on mineral oils. This Directive provides a compulsory exemption for Commercial aviation fuel. Furthermore, the Council was required to review this exemption on the basis of a report from the Commission and thereafter will decide unanimously on a proposal from the Commission whether to abolish or modify these exemptions. The review was carried out in 1996 and in its report, the Commission recommended that excise duties on mineral oils should be extended to aviation kerosene as soon as the international legal situation allows the Community to levy such a tax on all carriers including those from third countries. In addition, both the review and the proposal from the Commission have been discussed in various Council working-Groups. The result of these discussions was that the Council wanted the Commission to provide further information on all aspects of aircraft fuel. In response to this request, the Commission has conducted a comprehensive study of this subject. This Communication sets out the results of that study and the Commission's reaction. Firstly, the study examined five possible tax coverage levels ranging from taxation of national flights only to taxation of all flights from all carriers to all destinations worldwide. Secondly, an analysis of the current international, Community and national legislative situation was produced together with an examination of the possible avoidance measures and, finally, an assessment of cost internalisation in the air transport sector in comparison with other modes of transport. In conclusion, the results of this study confirm the conclusions, which the Commission drew in its 1996 report on this question. Principally for 'economic reasons', it would not be practicable or desirable for the Community as a whole to introduce taxation of aircraft fuel targeting exclusively intra-Community flights operted by Community air carriers at the present time. This conclusion remains unchanged in the light of the other results of the study, which show that environmental effects of such unilateral action would be significantly less. On the other hand, the study equally confirms that there would be significantly higher environmental benefits from the introduction of kerosene taxation targeting all operations from Community airports. The Commission therefore recommends that: - the Council proceeds with the adoption of the Commission Proposal for a Council Directive restructuring the Community framework for the taxation of energy products permitting Member States to levy tax on aviation fuel used on National flights, or by bilateral agreement, intra-Community movements; - Member States, in close co-operation with the Commission, intensify their work within the ICAO framework for the introduction of taxation on aviation fuel and other instruments with similar effects; - the Council reviews the situation on the basis of a Reportfrom the Commission on the outcome of ongoing discussions and negotiations within the ICAO framework, targeting the 33rd ICAO Assembly.