

Excise duty: structure and rates applied on manufactured tobacco

2001/0063(CNS) - 14/03/2001 - Legislative proposal

PURPOSE : to amend Directive 92/79/EEC, Directive 92/80/EEC and Directive 95/59/EC as regards the structure and rates of excise duty applied on manufactured tobacco. **CONTENT :** this proposal for a Directive suggests a number of important amendments to existing Community legislation on the taxation of manufactured tobacco, while keeping the main pillars of the *acquis* unchanged rather than establishing a new system. The proposed amendments are the result of an in-depth examination by the Commission of the rates and structure of excise duty on tobacco products carried out in response to a request from a large number of Member States in a statement entered in the minutes when Council Directive 1999/81/EC was adopted. An analysis of the changes of prices and excise rates for tobacco products in the Community shows that there are still considerable differences between Member States which may disturb the operation of the internal market. Therefore greater convergence between the tax rates applied in the Member States would help reduce fraud and smuggling within the Community. Therefore, Directive 92/79/EEC has been amended to provide that each Member State shall apply an overall minimum excise duty, the incidence of which shall be set at 57% of the retail selling price and EUR 70 per 1000 cigarettes of the price category most in demand. Member States which levy a total excise duty of at least EUR 100 per 1000 cigarettes for cigarettes of the price category most in demand need not comply with the 57% minimum incidence requirement. Furthermore, Directive 92/80/EEC is amended in order to avoid a fall in the value of the Community minimum rates on duty on cigars, cigarillos, fine-cut tobacco intended for the rolling of cigars and other smoking tobaccos, a phased increase in the minimum rates, expressed as a specific amount, is needed. Finally, in the interests of uniform and fair taxation, the definition of cigars and cigarillos, set out in Council Directive 95/59/EC on taxes other than turnover taxes which affect the consumption of manufactured tobacco, shall be adapted to so that a type of cigar which is similar in many respects to a cigarette is treated as a cigarette for excise purposes.