Excise duty: lower rates on tobacco products for consumption in Corsica

2003/0075(CNS) - 16/04/2003 - Legislative proposal

PURPOSE : to permit France to prolong the application of lower rates of excise duty to tobacco products released for consumption in Corsica. CONTENT : by the provisions of Directive 92/79/EEC and Directive 92/80/EEC, France could continue applying upto 31 December 2002 the same rates for tobacco products and cigarettes sold in Corsica as those in force on 31 December 1997. France considered more time was needed to bring the taxes applied in Corsica into line with those in mainland France, and requested prolongation of certain tax rules on tobacco products until 31 December 2009. To prevent damage to the island's economic and social equilibrium, the Commission agrees to derogation with effect from 1 January 2003 to 31 December 2009. France may apply a rate of excise duty that is lower then the national rate to cigarettes and other manufactured tobaccos released for consumption in Corsica. By the end of this derogation period, the tax rules for manufactured tobaccos must have been brought full into line with the rules for mainland France. In order to avoid too abrupt a change, the Commission proposes an intermediate increase in the excise duty currently levied on cigarettes in Corsica. On cigarettes, the provisions are as follows: - from 01/01/03 to 31/12/07 the total rate of excise duty must be at least 35% of the price charged for cigarettes of the most popular price category in Corsica; - from 01/01/08 to 31/12/09 the rate of excise duty must be at least 44% of the price charged for cigarettes of the most popular price category in Corsica; To avoid undermining the smooth functioning of the internal market, the volume of cigarettes eligible for this derogating measure is be limited to an annual quota of 1200 tonnes. On other tobacco products: - for cigars and cigarillos : maintain the 10% rate applicable to Corsica; this is higher than the Community rate of 5%. - for fine-cut tobacco intended for rolling: keep the 25% rate applicable; this is lower than the minimum Community rate (30%) but during the five-year derogation period France will aim to bring it up to the minimum Community rate; - for other smoking products: keep the 22% rate applicable, which is higher than the minimum Community rate (20%). The reduced rate of excise duty will apply for the period from 01/01/03 to 31/12/09. By the end of this period the taxes applied in Corsica must have brought fully into line with those applicable in mainland France.