

# **Taxation of energy products and electricity: possibility for certain Member States to apply temporary exemptions or reductions in the levels of taxation**

2004/0016(CNS) - 28/01/2004 - Legislative proposal

**PURPOSE :** Revision of EU Directive on restructuring the Community framework for the taxation of energy products and electricity taking into account the EU's enlargement. **PROPOSED ACT :** Council Directive. **CONTENT:** Council Directive 2003/96/EC on the restructuring of the Community framework for the taxation of energy products and electricity came into force on 1 January 2004. On 1 May 2004 ten new candidate countries will be joining the European Union at which point they are obliged to apply all EU legislation. The effect of this Directive's provisions on their economies (re: taxation on energy products and electricity) will be profound given the much lower duties on energy products currently levied in the ten candidate countries. Were they to apply the Directive's provisions as of May it could cripple their SME's as well as putting a huge burden on industry and consumers alike. They have therefore sought temporary exemptions or reductions on the levels of taxation on energy products and electricity which they must charge. Given that existing EU Member States have been granted temporary exemptions from the Directive's obligations the European Commission has accepted that the candidate countries may need a longer time-frame in which to apply the Directive's provisions. The purpose of this proposal is therefore to set out the exact time-frame and scope on temporary exemption or reductions in the levels of taxation on energy products and electricity in each of the ten candidate countries. Each individual country is assessed separately based on their unique needs. The proposal stresses, however, that the transitional measures should be: - strictly time limited and, in principle, last no longer than 2012; - proportionate to the problem they seek to address; - include, where relevant, a progressive alignment towards the Community minimum rates applicable. To conclude, the Commission argues that the proposed revision is both reasoned and proportionate and in favour of the acceding Member States. It therefore calls for a speedy application of the proposal in order to avoid any legal vacuum at the time of enlargement.