

Taxation of energy products and electricity

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PURPOSE: to present a proposed new Community system for the taxation of energy products.

CONTENT: The proposals leave the Member States free to apply the taxes of their choice to energy products. The total charge levied in respect of all indirect taxes covered by the proposal on an energy product is taken into account in order to assess compliance with Community minimum levels. Above these minimum levels, and provided that the Member States comply with Community competition rules, they may differentiate the rates applicable to a product, on the basis of quality criteria or in relation to the user. No authorization is necessary in order to do this. In an effort to strengthen the internal market, the scope is extended beyond mineral oils to all energy products. Energy products should be taxed provided that they are used as motor fuels or heating fuels. Those used for other purposes should be exempted by the Member States. The Commission proposes that electricity be taxed at the level of output but also proposes to allow Member States the possibility, for reasons of environmental policy, to apply additional taxation to inputs. This may not be taken into account when assessing compliance with the minimum level of taxation on electricity produced as laid down in the Commission proposal. To encourage the development of renewable energy sources, the Commission also proposes authorizing Member States to refund to the producer all or part of the tax paid by the consumer. The Commission must be informed of such refunds, as they will constitute state aid. The scope of Directive 92/12/EEC, which relates to the holding, movement and monitoring of products subject to excise duty will be extended to include all energy products covered by this proposal, with the exception of movement formalities for natural gas, electricity and solid energy products, which the Commission proposes should be waived. In defining minimum levels of taxation, the Commission sets out three categories: - energy products used as motor fuels; - energy products used as fuel for certain industrial and commercial purposes; - energy products used as heating fuels. For reasons of environmental and transport policy, the Commission proposes that energy products used for the following purposes should be exempted: - navigation within Community waters; - air navigation; - carriage of goods and passengers by rail and for navigation on inland waterways (other than in private pleasure craft) - passenger transport and captive fleets which provide services to public bodies. Rates applicable to newly taxed energy products should be set at a positive level but one which avoids too costly a transition for users. They should be increased in stages. Similarly, rates between motor fuels will be approximated in three stages. The Commission also proposes a phased three-stage transition to minimum levels of taxation based on the energy level of products and that two minimum levels be set for heavy fuel oil, on the basis of its sulphur content (more or less than 1% in weight). The Council is requested to recommend to the Member States to help bring down unemployment by reducing statutory charges on labour. Member States should also inform the Commission of the measures they have taken and the conditions they have set in order to ensure tax neutrality. Member States will be authorized to grant tax refunds when investment expenditure designed to improve energy efficiency is incurred by firms. The Commission may also grant preferential treatment to energy products used for pilot projects for the development of more environmentally friendly products and exemptions or rate reductions may be granted for sustainable energy and the use of more sustainable forms of transport of goods and passengers. Member States may apply for other derogations for three years, subject to the provision of sufficient background material and compatibility with the internal market and Community environmental and competition policy.