Alcohol and alcoholic beverages: adjust the minimum rates of excise duty (amend. Directive 92/84/EEC)

2006/0165(CNS) - 08/09/2006 - Legislative proposal

PURPOSE : to update the existing Directive 92/84/EEC on the approximation of the rates of excise duty on alcohol and alcoholic beverages by increasing the minimum rates in order to restore their real value agreed by Council in 1992.

PROPOSED ACT : Council Directive.

CONTENT : under Article 8 of Council Directive 92/84/EEC on the approximation of the rates of excise duty on alcohol and alcoholic beverages, the Commission is required to undertake regular reviews and to produce a report, and where appropriate a proposal, upon which the Council shall examine the rates of duty laid down in that Directive.

The Commission's report, presented on 26 May 2004, concluded that more convergence of the rates of excise duty in the different Member States is needed so as to ensure the proper functioning of the internal market, in particular with regard to the potential for distortions of competition and fraud. However, given the widely differing views in the Member States about the appropriate levels of the minimum rates, and given that any change would require unanimous agreement, the Commission did not make a proposal at that time. Instead the Commission indicated that it wished to launch a broad debate in the Council, the European Parliament and the Economic and Social Committee and that on the basis of the outcome of this debate the Commission would then decide whether or not to submit proposals on all or some of the issues raised in the report.

Having assessed the position, the Commission proposes to amend Directive 92/84/EEC by:

- revalorising the minimum rates on alcohol, intermediate products and beer in line with inflation from 1993 to 2005, which is in the order of 31%, to take effect from 1 January 2008;

- providing, by way of derogation, transitional periods up to 1 January 2010 for those Member States that may have difficulties in increasing their national rates by 1 January 2008 to meet the revalorised minima, such transitional periods being determined by the efforts required of the Member States concerned;

- rendering the review procedure under Article 8 of the Directive more flexible and less onerous and to prolong the review period from 2 years to 4 years.

The primary purpose of revalorising the minimum rates is to restore their real value of 1992. Increasing minimum rates to account for inflation does not, by definition, produce real value increases. On the other hand, failure to maintain the specific minimum rates in line with inflation would result in erosion of their real value. Consequently, such increases in the minimum rates are necessary in order to maintain the level of rates which the Council agreed in 1992, as a requirement to ensure the functioning of the Internal Market without fiscal borders.