## Basic information

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|---|---|
| **2013/0413(CNS)**<br><br>CNS - Consultation procedure<br>Decision | Procedure completed |
| Excise duty and VSS: application by France of a reduced rate on 'traditional' rum produced in Guadeloupe, French Guiana, Martinique and Réunion in 2014-2020<br><br>Repealing Decision 2007/659/EC 2007/0131(CNS)<br>Amended by 2017/0127(CNS)<br><br>**Subject**<br><br>2.70.02 Indirect taxation, VAT, excise duties<br>3.10.06.08 Wine, alcoholic and non-alcoholic beverages<br>4.70.06 Outlying and outermost regions, overseas countries and territories | |

## Key players

### European Parliament

| Committee responsible | Rapporteur | Appointed |
|---|---|---|
| REGI Regional Development | HÜBNER Danuta Maria (PPE) | 18/12/2013 |

| Committee for opinion | Rapporteur for opinion | Appointed |
|---|---|---|
| ECON Economic and Monetary Affairs | The committee decided not to give an opinion. | |
| AGRI Agriculture and Rural Development | The committee decided not to give an opinion. | |

### Council of the European Union

| Council configuration | Meetings | Date |
|---|---|---|
| Competitiveness (Internal Market, Industry, Research and Space) | 3295 | 2014-02-20 |

### European Commission

| Commission DG | Commissioner |
|---|---|
| Taxation and Customs Union | ŠEMETA Algirdas |

## Key events

| Date | Event | Reference | Summary |
|---|---|---|---|
| | | COM(2013)0839 | Summary |

| | | | |
|---|---|---|---|
| 25/11/2013 | Legislative proposal published | | |
| 18/12/2013 | Vote in committee | | |
| 08/01/2014 | Committee report tabled for plenary, 1st reading/single reading | A7-0013/2014 | Summary |
| 13/01/2014 | Committee referral announced in Parliament | | |
| 16/01/2014 | Decision by Parliament | T7-0034/2014 | Summary |
| 16/01/2014 | Results of vote in Parliament | | |
| 20/02/2014 | Act adopted by Council after consultation of Parliament | | |
| 20/02/2014 | End of procedure in Parliament | | |
| 28/02/2014 | Final act published in Official Journal | | |

## Technical information

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|---|---|
| **Procedure reference** | 2013/0413(CNS) |
| **Procedure type** | CNS - Consultation procedure |
| **Procedure subtype** | Legislation |
| **Legislative instrument** | Decision |
| **Amendments and repeals** | Repealing Decision 2007/659/EC 2007/0131(CNS)<br>Amended by 2017/0127(CNS) |
| **Legal basis** | Treaty on the Functioning of the European Union TFEU 349-p1sub1-as1 |
| **Other legal basis** | Rules of Procedure EP 165 |
| **Stage reached in procedure** | Procedure completed |
| **Committee dossier** | REGI/7/14668 |

## Documentation gateway

**European Parliament**

| Document type | Committee | Reference | Date | Summary |
|---|---|---|---|---|
| Committee draft report | | PE526.050 | 11/12/2013 | |
| Committee report tabled for plenary, 1st reading/single reading | | A7-0013/2014 | 08/01/2014 | Summary |
| Text adopted by Parliament, 1st reading/single reading | | T7-0034/2014 | 16/01/2014 | Summary |

**European Commission**

| Document type | Reference | Date | Summary |
|---|---|---|---|
| Legislative proposal | COM(2013)0839 | 25/11/2013 | Summary |

**National parliaments**

| Document type | Parliament /Chamber | Reference | Date | Summary |
|---|---|---|---|---|

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|---|---|---|---|---|
| Contribution | ES_PARLIAMENT | COM(2013)0839 | 27/02/2014 | |

| Additional information | | |
|---|---|---|
| **Source** | **Document** | **Date** |
| European Commission | EUR-Lex | |

| Final act | |
|---|---|
| Decision 2014/0189<br>OJ L 059 28.02.2014, p. 0001 | Summary |

# Excise duty and VSS: application by France of a reduced rate on ‘traditional' rum produced in Guadeloupe, French Guiana, Martinique and Réunion in 2014-2020

2013/0413(CNS) - 25/11/2013 - Legislative proposal

PURPOSE: to authorise France to apply a reduced rate of certain indirect taxes on ‘traditional’ rum produced in Guadeloupe, French Guiana, Martinique and Réunion.

PROPOSED ACT: Council Decision.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

BACKGROUND: Council Decision°2007/659/EC authorises France to apply to 'traditional' rum produced in its overseas departments and sold on the French mainland a reduced rate of excise duty which may be lower than the minimum rate of excise duty set by Directive 92/84/EEC but not more than 50% lower than the standard national excise duty on alcohol. From 1 January 2011, the reduction in excise duty is limited to an annual quota of 120 000 hl of pure alcohol. The derogation expired on 31 December 2013.

On 12 March 2013, the French authorities asked the Commission to submit a proposal for a Council Decision extending the derogation in Council Decision 2007/659/EC under the same conditions, for a further seven years until 31 December 2020. They also asked the Commission to extend the scope of the Council Decision so as to apply also to the “cotisation sur les boissons alcooliques” (also known as the “Vignette Sécurité Sociale (VSS)), and to amend Council Decision 2007/695/EC retroactively, i.e. as of 1 January 2012 by extending it to cover the VSS so that a lower rate can be applied to ‘traditional’ rum produced in the four French outermost regions.

Given the small scale of the local market, the overseas departments’ distilleries can develop their activities only if they have sufficient access to the market in mainland France, which is the main outlet for their rum (71% of rum).

The Commission recommends adopting **a new Decision on a derogation covering both taxes:** the differentiation of the excise duty as set out in Directive 92/84/EEC and the VSS, instead of extending the derogation set out in Decision 2007/659/EC.

CONTENT: the proposal aims to **authorise France to apply, from 1January 2014 to 31 December 2020, a reduced rate of excise duty and of the levy called “cotisation sur les boissons alcooliques”** (VSS) to ‘traditional’ rum produced in Guadeloupe, French Guiana, Martinique and Réunion for an annual quota of 120 000 hectolitres of pure alcohol.

It is proposed that France be allowed to apply a reduced rate of excise duty and VSS of **up to 50%** of the respective standard rates but that the cumulative reduction in both excise duty and VSS should not be higher than 50% of the full rate for alcohol set in application of Directive 92/84/EEC.

For 2012 and 2013, the proposal aims to **include the VSS within its scope, retroactively**, i.e. as of 1 January 2012 so that a lower rate of VSS can be applied for ‘traditional’ rum produced in Guadeloupe, French Guiana, Martinique and Réunion.

The Commission also proposes that the French authorities **send a mid-term report** to the Commission by 31 July 2017 in order to assess whether the reasons which justify the granting of the tax derogation still apply and whether the fiscal advantage granted by France remains proportionate and sufficient to compensate the cane-sugar-rum value chain in Guadeloupe, French Guiana, Martinique and Réunion. This mid-term report shall also include up-dated information on the associated marketing costs.

In case the information provided demonstrates that the tax derogation is not, partly or entirely, justified any more, or is less suitable than alternative measures, a phasing out process could be introduced until the end of the period.

# Excise duty and VSS: application by France of a reduced rate on ‘traditional' rum produced in Guadeloupe, French Guiana, Martinique and Réunion in 2014-2020

2013/0413(CNS) - 08/01/2014 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Regional Development – within the framework of a special legislative procedure (consultation of Parliament) – a report by Danuta Maria HÜBNER (PPE, PL) on the proposal for a Council decision authorising France to apply a reduced rate of certain indirect taxes on ‘traditional’ rum produced in Guadeloupe, French Guiana, Martinique and Réunion and amending Decision 2007/659/EC.

It recalled that Council Decision 2007/659/EC of 9 October 2007 authorised France to apply to 'traditional' rum produced in its overseas departments and sold on the French mainland a reduced rate of excise duty which may be lower than the minimum rate of excise duty set by Directive 92/84/EEC but not more than 50% lower than the standard national excise duty on alcohol. The reduction in excise duty is limited to an annual quota of 120 000 hl of pure alcohol. This derogation expired on 31 December 2013.

On 12 March 2013, the French authorities asked the Commission to submit a proposal for a Council Decision extending Council Decision 2007/659/EC under the same conditions, for a further seven years until 31 December 2020. This request was supplemented and modified on 3 July and 2 August 2013.

On the basis of these requests, the Commission proposed that for 2014-2020 France be allowed to apply a reduced rate of excise duty and the “Vignette Sécurité Sociale” (VSS) of up to 50% of the respective standard rates but that the cumulative reduction in both excise duty and VSS is not higher than 50% of the full rate for alcohol set in application of Directive 92/84/EEC.

Given the urgency in adopting this measure and that it aims at stimulating the economy of outermost regions, the Committee recommended that this proposal be adopted without amendment.

# Excise duty and VSS: application by France of a reduced rate on ‘traditional' rum produced in Guadeloupe, French Guiana, Martinique and Réunion in 2014-2020

2013/0413(CNS) - 16/01/2014 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 455 votes to 94, with 22 abstentions – within the framework of a special legislative procedure (consultation of Parliament) – a legislative resolution on the proposal for a Council decision authorising France to apply a reduced rate of certain indirect taxes on ‘traditional’ rum produced in Guadeloupe, French Guiana, Martinique and Réunion and amending Decision 2007/659/EC.

Following the Committee on Regional Development, the European Parliament approved the Commission proposal without amendment.

# Excise duty and VSS: application by France of a reduced rate on ‘traditional' rum produced in Guadeloupe, French Guiana, Martinique and Réunion in 2014-2020

2013/0413(CNS) - 20/02/2014 - Final act

PURPOSE: to authorise France to apply a reduced rate of certain indirect taxes on ‘traditional’ rum produced in Guadeloupe, French Guiana, Martinique and Réunion.

LEGISLATIVE ACT: Council Decision No 189/2014/EU authorising France to apply a reduced rate of certain indirect taxes on ‘traditional’ rum produced in Guadeloupe, French Guiana, Martinique and Réunion and repealing Decision 2007/659/EC.

CONTENT: Council Decision 2007/659/EC authorised France to apply to ‘traditional’ rum produced in Guadeloupe, French Guiana, Martinique and Réunion and sold on the French mainland a reduced rate of excise duty which may be lower than the minimum rate of excise duty set by Council

Directive 92/84/EEC but not more than 50 % lower than the standard national excise duty on alcohol. As of 1 January 2011, the reduced rate of excise duty is limited to an annual quota of 120 000 hectolitres of pure alcohol (hlpa). That derogation expired on 31 December 2013.

The French authorities asked the Commission to submit a proposal for a Council decision extending the derogation set out in Decision 2007/659/EC, under the same conditions, for seven years, until 31 December 2020.

It is necessary to **remedy the difficulty for 'traditional' rum to compete on the Union market**. 'Traditional' rum sold in French mainland is typically marketed in bigger bottles (60 % of rum is sold in bottles containing 1 litre) and at higher levels of alcohol (ranging from 40° to 59°) than competing rums, which are typically marketed in smaller bottles. The higher levels of alcohol content trigger in turn higher excise duties, a higher VSS and, in addition, a higher value added tax (VAT) per litre of rum sold. Given the small scale of the local market, the distilleries in the four outermost regions concerned can develop their activities only if they have sufficient access to the market in the French mainland, which is the main outlet for their rum (71 %).

Under these circumstances, France is authorised to **extend from 1 January 2014 until 31 December 2020**, the application on the French mainland, to 'traditional' rum produced in Guadeloupe, French Guiana, Martinique and Réunion, of **a rate of excise duty lower** than the full rate for alcohol and to apply a rate of the levy called 'cotisation sur les boissons alcooliques' (VSS) lower than the full rate applicable according to the French national legislation.

The cumulative tax advantage authorised shall **not exceed 50% of the full rate for alcohol**.

The derogation shall be limited to rum produced from sugar cane harvested at the place of manufacture, having a content of volatile substances other than ethyl and methyl alcohol equal to or exceeding 225 grams per hectolitre of pure alcohol and an alcoholic strength by **volume of 40° or more**. This derogation shall be confined to an **annual quota of 120 000 hectolitres of pure alcohol**.

By 31 July 2017, France shall submit a **report to the Commission** to enable it to assess whether the reasons justifying the derogation still exist and whether the fiscal advantage granted by France has remained and is expected to remain proportionate and sufficient to support a competitive cane-sugar-rum value chain in Guadeloupe, French Guiana, Martinique and Réunion.

ENTRY INTO FORCE: this Decision shall apply from 1 January 2014 until 31 December 2020.