

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(79) 694 final

Brussels, 28 November 1979

Proposal for a
FIFTH COUNCIL DIRECTIVE
on the harmonization of provisions laid down by law, regulation or
administrative action relating to the rules governing turnover tax
and excise duty applicable in international travel

(submitted to the Council by the Commission)

COM(79) 694 final

EXPLANATORY MEMORANDUM

In accordance with the commitment entered into at the time of adoption of the Third Council Directive 78/1032/EEC of 19 December 1978 on the harmonization of provisions laid down by law, regulation or administrative action relating to the rules governing turnover tax and excise duty applicable in international travel (1), the Commission has examined the problems arising from implementation of the Directive and, in particular, the changes which have occurred in the level of the tax-free allowance for intra-Community travellers expressed in national currencies and the real value of such allowances.

I. Level of the intra-Community tax-free allowance

The Commission would point out that, on the basis of national currency equivalents for the European unit of account as at 1 October 1979, if the automatic adjustment procedure provided for in Article 7 of Directive 69/169/EEC (as inserted by Article 4 of Directive 78/1032/EEC) is followed, some Member States could reduce their allowances by amounts of up to 2.8 %. However, in view of the non-adjustment option provided for under paragraph 4 of the aforementioned Article, such adjustments are not compulsory.

The Commission has found, however, that there has been a fall in the real value of the allowances. Recent information shows that the fall for the Community as a whole has been about 10.4 % over the last twelve months.

The Commission regards it as unacceptable that the people of the Community should have to see the real value of the tax-free allowances reduced ; they should rather be granted a gradual increase in such allowances so as to achieve the objectives laid down in the Directives.

In this connection, the Commission would underline the role which tax-free allowances can play in the interpenetration of Member States' economies.

(1) OJ n° L 366 of 28.12.1978, p. 28

It was also with this in mind that the principle of a progressive extension of tax-free concessions was envisaged in the Council Resolution of 22 March 1971 on the attainment by stages of economic and monetary union (1).

Similarly, the fourth medium-term economy policy programme, adopted by Council Decision on 14 March 1977 (2), states that, as part of the measures to be taken to fight inflation in the Community, consumers should be given increased opportunities of purchasing where they want to, in other Community countries in particular, in view of the price differences which exist from one country to another for identical or similar products, going considerably beyond variations in taxation or the structure of trade.

In the light of all the factors set out above, the Commission therefore proposes that intra-Community tax-free allowances should be increased as follows in 1980 :

- an increase from 180 EUA to 210 EUA in the allowance granted to travellers of fifteen years of age or older ;
- an increase from 50 EUA to 60 EUA in the minimum allowance granted to travellers under fifteen years of age.

II. Derogations

Derogations granted to Denmark and Ireland under Article 5 of Directive 78/1032/EEC allow them, within given time limits, to exclude from tax exemption goods whose unit value is in excess of 135 EUA and 77 EUA respectively.

Unless appropriate adjustments are made to the unit value limits in these derogations granted to Denmark and Ireland, their real value will be altered, and they should therefore be increased in the same proportion as intra-Community tax-free allowances.

Moreover, in the case of Ireland, the recent increase in the standard rate of VAT in the United Kingdom and the reduction, from 1 March 1979, of the Irish rate of VAT applicable to certain electrical goods must be taken into account. The effect of these measures has been to considerably reduce

(1) OJ n° C 28 of 27.3.1971, point III, paragraph 2, last indent.

(2) OJ n° L 101 of 25.4.1977, Part Three, B, (d), paragraph 104, p. 23

the gap between retail prices of certain sensitive goods liable to the standard rates of tax in both countries and, in consequence, the incentive which may have existed hitherto for travellers to buy goods in the United Kingdom rather than in Ireland.

Much the same has happened with regard to the derogation granted to Denmark, as a result of the increase in the VAT rates applicable in the Federal Republic of Germany, though the reduction in the rate differential between these two countries is less appreciable than in the case of Ireland and the United Kingdom.

In addition, account must be taken of the monetary realignment which took place at the end of September, when the German mark was revalued by 2 % and the Danish krone devalued by 3 %, making German goods ^{about} 5 % more expensive for Danish purchasers.

For these reasons, the Commission considers that the economic situation warranting these derogations has developed along favourable lines and proposes that, as from 1 January 1980, the levels for application of the derogations for these two Member States should be raised and that, within the time limits stipulated in Article 5 of Directive 78/1032/EEC, Denmark and Ireland should be authorized to exclude from tax exemption goods whose unit value is in excess of 160 EUA and 100 EUA respectively.

III. Expression of alcoholic strength

In order to comply with the provisions of Directive 76/766/EEC on alcoholometry, which must be brought into force by Member States by 1 January 1980 at the latest, the Commission proposes that, as from that date, alcoholic strengths in the Directive under discussion be expressed in terms of "% vol" (percentage by volume).

This amendment will entail only a technical change.

Proposal for a Fifth Council Directive on the harmonization of provisions laid down by law, regulation or administrative action relating to the rules governing turnover tax and excise duty applicable in international travel

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 99 thereof,

Having regard to the proposal from the Commission,

Having regard to the Opinion of the European Parliament,

Having regard to the Opinion of the Economic and Social Committee,

Whereas intra-Community tax-free allowances contribute to the interpenetration of Member States' economies ;

Whereas, in its Decision adopting the fourth medium-term economic policy programme (1), the Council considered that, in the context of measures to fight inflation, consumers should be given increased opportunities of purchasing where they want to in the Community ;

Whereas, in order to achieve these objectives and in the interests of the people of the Member States, the value of the exemptions laid down by Article 2 of Directive 69/169/EEC (2), as amended by Directive 78/1032/EEC (3), should be increased ;

Whereas the temporary derogations granted to the Kingdom of Denmark and to Ireland under Article 5 (1) of the abovementioned Directive 78/1032/EEC should also be amended in view of the changes in the economic situation warranting these derogations ;

Whereas for expressions of alcoholic strength it is necessary to take account of the provisions of Directive 76/766/EEC (4) on the approximation of the laws of the Member States relating to alcohol tables,

HAS ADOPTED THIS DIRECTIVE :

(1) OJ n° L 101, 25.4.1977

(2) OJ n° L 133, 4.6.1969, p. 6

(3) OJ n° L 366, 28.12.1978, p. 28

(4) OJ n° L 262, 27.9.1976, p. 149

Article 1

Article 2 of Directive 69/169/EEC is hereby amended as follows :

- a) in paragraphs 1 and 3, "180 European units of account" shall be replaced by "two hundred and ten European units of account".
- b) in paragraph 2, "50 European units of account" shall be replaced by "sixty European units of account".

Article 2

Article 5 of Directive 78/1032/EEC is hereby amended as follows :

In paragraph 1, "135 EUA" and "77 EUA" shall be replaced by "one hundred and sixty European units of account" and "one hundred European units of account" respectively.

Article 3

Articles 4 and 5 of Directive 69/169/EEC and Article 1 of Directive 77/800/EEC (1) are hereby amended as follows :

"22°" shall be replaced by "22 % vol".

Article 4

1. Member States shall bring into force the measures necessary to comply with this Directive with effect from 1 January 1980.
2. Member States shall inform the Commission of the provisions which they adopt to implement this Directive.

Article 5

This Directive is addressed to the Member States.

For the Council

The President

(1) OJ n° L 336, 27.12.1977, p. 21