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INTERNAL MARKET: Taxes and border checks are lagging behind

The European Commission takes stock of how the 1992 programme is coming along.

The single European market? Tell that to the unwary Belgian who stepped across the border into Holland for a packet of chips. His brief excursion into Dutch territory - he covered all of 25 yards - cost him £15. He was stopped by a Dutch customs official, who promptly fined him 50 Florins (approx. £15) - for entering Dutch territory through a customs-house reserved for local inhabitants. Absurd as it may seem, there is nothing in Community legislation to prevent a Member State from limiting access to very small customs-houses to people living in the neighbourhood.

The European Community clearly has a long ways to go before it reaches the single market, whose completion it set for 31 December 1992. Border checks of individuals happen to be one of the areas in which the Twelve are lagging behind. According to a European Commission report published in November only half the measures needed in these areas have been adopted by the Twelve so far, as against roughly two-thirds of all the measures required by the single market. Crossing the Community's internal borders can give rise to many a problem, as annoyed citizens have pointed out to the European Commission or European Parliament.

Taxis, for example, cannot use several border crossings between Belgium and France; as a result, they must make detours of up to 30 miles - and still pay VAT when crossing the border. What is more, some of the authorized customs-houses are empty after 8 p.m., so that taxi drivers are obliged to enter fraudulently.

Italians resident in Belgium must obtain an Italian passport in order to return to their country of origin, although Belgians need only their identity cards to go to Italy. This is because the Italian authorities do not issue identity cards to their nationals living in another country - nor do they recognize the resident cards issued by the authorities of other Member States. And given that the Italian passport is the most expensive of all EC passports ... .

If the Twelve are finding it so difficult to eliminate checks on people at border crossings, it is because the measures to be taken require not only decisions of the EC Council of Ministers

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but also, and more especially, agreements between the national authorities responsible for the fight against drugs, terrorism, illegal immigration and for policing in general.

Direct taxation is another area which has fallen behind in the race to "1992". The Twelve have adopted hardly one-fourth of the necessary measures as regards VAT, and not even one-tenth of those relating to excise duties, the special taxes on alcohol, tobacco and petrol. Here, too, keeping internal frontiers in place is irksome for those who want to make large purchases in another Community country. And border formalities can leave a bitter taste in some other cases. The wife of a Belgian born in France, not far from the border, had to put up with a good deal of red tape, simply because she wanted him buried in the village of his birth, when he died in his country of residence, Belgium. To begin with the French Consul in the Belgian town of Tournai had to seal the coffin, which then had to pass through customs at a specific border crossing in order to obtain a French entry visa. There will be no more such incidents once the Twelve have eliminated border checks for tax purposes.

Other important areas are lagging behind in the run-up to 1992. They include the health regulations which determine the free movement of animals and plants; company taxation; the possibility of setting up European companies and, finally, intellectual property rights - the protection notably of royalties and patents.

Happily the single market is making good progress in a variety of other areas. The Twelve have already adopted all the measures needed to free capital movements and more than 80% of the technical regulations and over 75% of the Community legislation allowing salaried employees and professional people to settle where they like in the Community. Some 70% of the measures aimed at eliminating border controls on goods and services have been adopted. And as for the rules which guarantee the opening up of public procurement, some two-thirds of them have been adopted.

On the whole the European Commission regards the situation to date as positive. Even so, with the deadline of 31 December 1992 just over two years away, it is asking the Twelve to do all they can to make good the delays and to fill the gaps, as otherwise the Community's citizens might call into question the sincerity of their leaders.

INTERNAL MARKET: When the Twelve forget their European legislation ...

... Europeans suffer.

Several months in a Greek prison and nearly a million drachmae (roughly UK£3,500 or IR£3,800) is the price a young Dutch woman had to pay, as a result of the failure of the Greek government to implement a European Community directive (or "law"). Her only crime was to have brought her small French car with her when she came to settle in Greece, and to have refused to pay the customs duty of nearly 1.6mn. drachmae (some UK£5,600 or IR£6,100) levied by the Greek authorities on the car.

Greece was in violation of the Community directive, of course, and the European Commission has already launched a procedure aimed at getting the authorities to transpose into their national legislation the directive in question, which does away with taxes on goods imported when moving house. Unfortunately, this is not an isolated case, only somewhat more dramatic than usual.

According to a European Commission progress report on the implementation of the 1992 programme (see page 2), as of 15 December 1990 Greece had transposed into its national legislation fewer than 55% of the "European laws" related to the single market. Italy was in an even worse position, with fewer than 45% of Community legislation transposed into national law.

In practice this means that Italian customs officials, for example, apply outdated national regulations which conflict with Community directives. This led them to ask a Danish student, on

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her way to Rome in the framework of the Community's ERASMUS programme, to pay VAT at the rate of 18% on that part of her luggage which exceeded 500,000 Lira (approx. UK£200 or IR£220) in value. The result was a two-month dispute with the Italian authorities, which resulted in the student having to send her luggage back to Denmark, as she was unable to pay the sum demanded of her. As her luggage contained the equipment she needed for her work, she was unable to carry out the task for which she had come to Rome. What is more, she had to borrow in order to clothe herself.

Such scandalous situations are also to be found in countries which have made substantial progress towards transposing the 1992 legislation, such as Spain (70%) or France (nearly 80%). The Spanish authorities, for example, demanded a guarantee of 80,000 Belgian francs (UK£1,330 or IR£1,450) from a Danish couple that was bringing furniture from Denmark for a vacation home in Spain. The victims paid up, but legal proceedings have been launched. In the same way, French customs have asked a French pastor to pay 19 French francs (around £2) in taxes for religious publications he was given in Germany. They have also made a person resident in France pay 115 French francs (roughly £12) for ... a birthday present mailed to him from Belgium.

One could continue in this vein for a long time. With just over two years to go to the 31 December 1992 deadline, the European Commission has once again drawn the attention of the Twelve to this problem. It has asked the heads of state and government to make sure that the Community spirit reigns supreme.

HEALTH: Towards a Community-wide ban on snuff

The European Commission gets ready to take the necessary measures.

Snuff, so popular with our grandparents, is coming back into fashion. The use of tobacco in this particular form has reappeared in several countries, notably in the United States and Sweden, and especially among the young.

Two EC countries, Britain and Ireland, have already banned sales of snuff. A third, Belgium, is getting ready to do so. The European Commission has no intention of lagging behind and is seriously thinking of extending the ban throughout the 12-nation Community.

The fact is that it is very hard to fight against cigarette smoking, given that it is very much a part of daily life. But there is a place for campaigns to prevent the young from taking to moist snuff. For Mrs Vasso Papandreou, the European Health Commissioner, quick action is needed, and proposals to this end should rapidly be tabled by the Commission.

The fact that the Commission is concentrating its efforts on this new objective does not mean that it is giving up the fight against cigarette smoking. On the contrary, it has just asked the Twelve to strengthen the "European law" on the labelling of cigarette packets. All tobacco products - not only cigarettes but also cigars, rolling tobacco, pipe tobacco, chewing tobacco, etc. - should be carrying health warnings, Mrs Papandreou believes.

Smoking, it must be remembered, is responsible for once cancer out of three and for the early deaths of some 440,000 people in the European Community each year.

TRANSPORT: Fresh proposals for fiscal harmonization

The European Commission proposes to harmonize the European Community's road tax systems.

The European Commission has just sent the 12 EC countries a proposal for a directive ("European law") on how to charge the cost of the road network to lorries and on the harmonization of the various systems of taxation of lorries.

Under this new system it should be possible, according to the European Transport Commissioner, Karel Van Miert, both to reduce the distortions in competition resulting from different levels of taxation and to collect fixed sums from transport companies, to cover the cost of the road network.

The system envisages setting a minimum road tax, the amount of which would vary in keeping with the lorry's impact on the roads (weight and number of axles). To guarantee free competition among hauliers, the tax could be adapted to each vehicle as a function of the distance travelled on toll motorways.

At present road hauliers pay taxes on the fuel they use as well as an annual road tax in their Member State. The size of this tax varies considerably from one Member State to another. It amounts to ECU 5,000* in the U.K. for a 38-ton lorry, as compared to ECU 1,000 in Belgium and ECU 500 in France. What is more, in five Member States - France, Italy, Greece, Spain and Portugal - lorries must also pay toll on certain motorways.

As regards fuel taxes, the Commission has already proposed they fall within the ECU 195 to ECU 205 range, per thousand litres (220 gallons). The sums raised in this way should cover the maintenance cost of the road network.

In its new proposal the Commission takes up road taxes this time. It is a question of introducing a new tax, based on the infrastructure costs in each Member State, thus making it possible to amortize the fixed costs linked to this infrastructure, without at the same time distorting competition among hauliers.

Between 1992 and 1994 taxes would be based on the cost estimates calculated by the Commission and, as from 1995, on the actual costs submitted by the Member States to the Commission. At the

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start it would be a minimal tax, but the amount would be increased progressively in order to cover all infrastructure costs in the year 2000.

Hauliers who travel on toll motorways would have the possibility of being reimbursed by the Member State a part of the tax. The reimbursement would be in proportion to the use made by them of such motorways during the year.

According to present calculations, the amount of this minimal tax in the Community would be ECU 1,216 for a 38-ton lorry in 1992, rising to ECU 8,000 in 1999.

* 1 ECU = UK£0.70 or IR£0.77.

TRANSPORT: EC and Switzerland agree to simplify border checks

Good news for long-distance lorry drivers.

The agreement between the European Community and Switzerland, which was signed on November 22, should enable a substantial reduction in the time lost by lorry drivers at border crossings.

As from 1 July 1991 hauliers will be able to cross Switzerland's borders as if they were those of any one of the Member States. Under the agreement custom-houses between Switzerland and the European Community will be open round the clock for normal traffic, while fast lanes will be provided for vehicles which are either empty or carrying goods which do not have to be declared.

In addition, closer collaboration between the customs authorities of the countries concerned should make it possible to speed up and simplify customs and administrative formalities.

Last but not least, the agreement also requires the two sides to take special measures to ensure the free flow of traffic at border crossings, notably when there are strikes, snowfalls, flooding and other exceptional conditions. Hauliers stand to gain both time and money from this agreement.

TAXATION: Signs of movement

The European Taxation Commissioner retraces the ground covered so far.

What is the state of play as regards European taxation? Mrs Scrivener, the European Taxation Commissioner, believes she can point to substantial progress, after a period of stagnation. This is thanks to a more flexible approach than in the past. The emphasis is now on the convergence and approximation of national policies, rather than their harmonization.

The best results have been obtained in the area of direct taxation of companies. Three proposals aimed at making it easier for companies based in the different Member States to cooperate with each other have received the unanimous approval of the Twelve. Their aim: prevent companies which are active in several Member States from being penalized, as compared to companies whose activities are confined to the frontiers of the country they are located in.

As for indirect taxation, Mrs Scrivener has undertaken the approximation of VAT (value added tax) rates. In the case of companies all customs formalities and all a priori fiscal controls at the Community's internal frontiers will be eliminated from 1 January 1993, resulting in substantially lower administrative costs.

From this same date individuals also will be able, in principle, to shop in the EC country of their choice and bring their purchases home without any formalities, provided the goods are for their own use and tax has been paid on them in the country of purchase. However, cars and goods purchased through mail order firms will continue to be taxed in the country of the purchaser during a transitional period, although important decisions must be taken in 1991 if these aims are to be achieved.

A computerized system of Community-wide information exchange must now be installed in order to prevent tax frauds and to agree on minimum VAT rates.

Much remains to be done as regards the taxation of savings. But several Member States have already reduced national levels of taxation. Mrs Scrivener in fact is hopeful that the Twelve will approve the introduction of a withholding tax of 10% and greater cooperation among the Member States in the fight against fraud.