

European Communities

EUROPEAN PARLIAMENT

Working Documents

1975-1976

31 August 1975

DOCUMENT 197/75

Report

drawn up on behalf of the Committee on Budgets

on the proposal from the Commission of the European Communities to the Council (Doc. 168/75) for a directive amending Directive 72/464/EEC on taxes other than turnover taxes which affect the consumption of manufactured tobacco

Rapporteur: Mr H.K. ARTZINGER

PE 41.483/fin.

By letter of 27 June 1975 the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a directive on taxes, other than turnover taxes, which affect the consumption of manufactured tobacco.

In its sitting of 7 July 1975, the European Parliament referred this proposal to the Committee on Budgets as the committee responsible and to the Committee on Economic and Monetary Affairs for its opinion.

On 15 July 1975, the Committee on Budgets appointed Mr Artzinger rapporteur. On the same date, it considered this proposal and unanimously adopted the draft resolution and the explanatory statement.

The following were present: Mr LANGE (Chairman), Mr AIGNER (Vice-Chairman), Mr DURAND (Vice-Chairman), Mr ARTZINGER (Rapporteur), Mr ADAMS (deputizing for Mr LAUTENSCHLAGER), Mr BANGEMANN, Mr BOURDELLES (deputizing for Miss FLESCHE), Lord BRUCE, Mr GERLACH, Mr HANSEN, Mr HOUDET, Mrs KELLETT-BOWMAN (deputizing for Lord BESSBOROUGH), Mr KIRK, Mr LUCKER (deputizing for Mr SCHOLTEN), Mr SCELBA (deputizing for Mr GALLI), Mr SHAW, Mr PETRE, Mr YEATS.

The opinion of the Committee on Economic and Monetary Affairs is attached.

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A

The Committee on Budgets hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a directive on taxes other than turnover taxes which affect the consumption of manufactured tobacco

The European Parliament

- having regard to the proposal from the Commission of the European Communities to the Council¹;
 - having been consulted by the Council in accordance with Article 100 of the EEC Treaty (Doc. 168/75);
 - having regard to the report of the Committee on Budgets and to the opinion of the Committee on Economic and Monetary Affairs (Doc. 197/75);
 - (a) Recalling that, on many occasions, it has made clear the importance which it attaches to ensuring that progress be made in the domain of fiscal harmonization;
 - (b) Conscious that harmonization of the excise on manufactured tobacco would constitute a substantial move towards the removal of certain obstacles to the freer movement of goods and make for the operation of greater competition within the Community;
 - (c) Aware that special problems for the move towards approximation of excises are caused by the divergent systems of charging excise on tobacco in the different Member States, and by the existence of monopolies in certain Member States;
 - (d) Appreciating that the yield of the excise duty on tobacco is still of considerable fiscal importance;
 - (e) Noting, however, that the yield in question is tending to diminish as a share of total budgetary receipts of Member States;
1. Notes that significant progress has not been made over the past three years in regard to the harmonization of the excise duty on tobacco.

¹ OJ No. C 150, 5.7.1975, p.4

2. Regrets that, as a result, future progress as regards the subsequent stages of harmonization is consequently delayed further and the move towards closer economic integration in this domain is retarded.
3. Deplores that the proposal for a second directive, on taxes other than turnover taxes which affect the consumption of manufactured tobacco, which the Commission put before the Council on 29 March 1974 and in regard to which the Parliament adopted a resolution¹ on 15 November 1974, has not yet been adopted by the Council and now calls on the Council to speedily adopt the draft directive referred to.
4. Recognizes that, in view of the lack of progress, the first stage of harmonization, referred to in the directive of 19 December 1972 and already extended by one year, must be further extended.
5. Approves, therefore, the Commission's proposal contained in Doc.168/75 for an extension of the first stage by a further year to 30 June 1977.
6. Urges the Commission to present, as soon as possible, a proposal for a directive on the second and subsequent stages, in order that the political discussion may be set in train.

¹ OJ No.C155, 9.12.1974, p.72

EXPLANATORY STATEMENT

1. On 19 December 1972, the Council adopted a directive¹ on the harmonization of the excise duties affecting manufactured tobacco. This directive set out broad general principles regarding the structures of the harmonized excise which Member States should apply to manufactured tobacco and envisaged that harmonization would be effected over several stages.

Article 3 of the directive recognized five categories of manufactured tobacco:

- cigarettes
- cigars
- smoking tobacco
- snuff
- chewing tobacco

and left over for a later directive the problem of defining and grouping these categories of tobacco.

Article 7(1) of the directive in question stated that the first stage of the harmonization of the excise on manufactured tobacco should cover a period of twenty-four months from 1 July 1973, that is, to 30 June 1975.

2. By early 1974, it became apparent that inadequate progress was being made with the necessary preparations, and technical problems emerged. The Commission, therefore, put forward a proposal which suggested that the first stage be extended to end June 1976; the proposal received a favourable opinion from the Parliament and was adopted by the Council².

3. The proposal now put forward by the Commission is for a further extension of one year - that is to 30 June 1977 - of the duration of the first stage.

4. Broadly, the position is that the launching of the second stage requires that there be a common approach to the narrower range for the ratios between the ad valorem and specific components of the excise duty on cigarettes. At present, the following situation applies as regards cigarettes:

¹ OJ No. L303, 31.12.1972, p.1.

² OJ No. L180, 3.7.1974, p.30.

Belgium	}	5% of the excise duty is made up of a specific component
France		
Italy		
Luxembourg		
Netherlands		
		and
		95% of the excise duty results from an <u>ad valorem</u> rate
Denmark	}	75% of the excise total is made up of a specific component on each cigarette
Germany		
		and
		25% of the excise duty is made up of an <u>ad valorem</u> rate which applies at the retail level
Ireland	}	100% specific excise, in accordance with a derogation applicable until 31.12.1977.
U.K.		

As regards manufactured tobacco, the very structure of the excise duty has still to be fixed.

5. It is to be keenly regretted that the Commission now finds itself obliged to indicate that the consultations carried out by it to advance the process of harmonization merely confirmed the differences of views between Member States in this matter. Parliament has, on many occasions in the past, drawn attention to the importance it attaches to the movement towards harmonization of excises, which is a necessary preliminary to the free circulation of goods within the Community, believing that such harmonization could contribute to the progressive achievement of desirable economic targets.

6. As to the Council, it is to be deplored that it has not yet adopted the draft directive put before it on 29 March 1974 and in respect of which a resolution was adopted by the European Parliament on 15 November 1974. In the accompanying resolution, the Council is now urged to adopt that draft directive at an early date.

7. In view of the unsatisfactory over-all situation in regard to the harmonization of the excise duty on tobacco, the Commission is asked to put forward proposals as early as possible for the second and subsequent stages of harmonization of the excise duty on manufactured tobacco so that the political debate may be launched.

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Letter from the chairman of the committee to Mr Erwin LANGE, chairman of the
Committee on Budgets

Luxembourg, 23 July 1975

Dear Mr Lange,

On 15 July 1975 the Committee on Economic and Monetary Affairs examined the Commission's proposal for a directive on taxes other than turnover taxes which affect the consumption of manufactured tobacco (Doc. 168/75).

The committee unanimously approved the Commission's proposal¹, although it regretted that it is once again necessary to extend the first stage of the harmonization of these taxes by 12 months.

Please consider this letter as the committee's opinion.

Yours sincerely,

(sgd) Francis Leenhardt

¹ The following were present:

Mr Leenhardt, chairman; Sir Brandon Rhys-Williams, vice-chairman; Mr Artzinger, Mr Corterier (deputizing for Lord Gordon-Walker), Mr Cousté, Mr de Broglie, Mr Delmotte, Mr Hougardy, Mr Lange, Mr Leonardi, Mr Normanton, Mr Prescott, Mr Schwörer, Mr Schwabe (deputizing for Mr van der Hek), Mr Starke and Mr Suck.

