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# European Communities

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EUROPEAN PARLIAMENT

## Working Documents

1973-1974

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28 February 1974

DOCUMENT 378/73

### Report

drawn up on behalf of the Committee on Budgets

on the proposal from the Commission of the European Communities to the  
Council (Doc. 4/72-IV) for a directive on the harmonization of excise duties on  
beer

Rapporteur: Mr A. ROSSI

PE 31.252/fin.



By letter of 22 March 1972 the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the proposals for Council directives on special excise duties and equivalent taxes: Part IV, Proposal from the Commission of the European Communities to the Council for a directive on the harmonization of excise duties on beer.

On 29 March 1972 the President of the European Parliament referred this proposal for a directive to the Committee on Budgets as the committee responsible and the Committee on Agriculture and the Committee on Economic and Monetary Affairs for their opinions.

The Committee on Budgets appointed Mr Rossi rapporteur on 16 May 1972.

At its meeting of 18 February 1974 the committee adopted this motion for a resolution by 13 votes with 2 abstentions.

The following were present: Mr Spénale, chairman; Mr Aigner, vice-chairman; Mr Rossi, vice-chairman and rapporteur; Mr Artzinger, Mr Berthoin (deputizing for Mr Houdet), Mr Boano, Mr Fabbrini, Mr Gerlach, Mr Laudrin, Mr Leenhardt, Mr Maigaard, Mr Notenboom, Lord St. Oswald (deputizing for Mr Pounder), Mr Terrenoire, Mr Wieldraaijer and Mr Wohlfart.

The opinions of the Committee on Agriculture and the Committee on Economic and Monetary Affairs will be distributed separately.

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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 the harmonization of excise duties on beer

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (1),
  - having been consulted by the Council (Doc 4/72-IV)
  - having regard to the report of the Committee on Budgets (Doc. 378/73),
  - having regard to the opinions of the Committee on Agriculture and the Committee on Economic and Monetary Affairs,
1. Considers that this proposal for a directive is a first important step towards the harmonization of excise duties on beer;
  2. Is of the opinion that harmonization of the structure of excise duties on beer must be followed soon by harmonization of the rates, without prejudice to simplification of indirect taxation in the medium term by the abolition of excise duties;
  3. Considers that in the immediate future excise duties on beer may be maintained but that, in accordance with the proposal from the Commission, they must apply to beer and not to beer wort;
  4. Shares the Commission's view that certain exceptional arrangements can be retained;
  5. Approves, subject to the following modifications, the proposal from the Commission of the Communities for a directive;
  6. Instructs its President to forward this resolution to the Council and Commission of the Communities.

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(1) OJ No C 43 of 29.4.1972, p. 37 ff.

Proposal for a Council directive  
on the harmonization of excise duties on beer

Preamble, recitals and articles 1 to 12 unchanged.

Article 13

(Official English version of  
original document not available)

Article 13

The provisions of Article 6 will not preclude the application of progressive rate arrangements related to the volume of production laid down:

- (a) in the FRG, by Article 3, paragraph 1, subparagraph 1 of the Biersteuergesetz of 14 March 1972 (Bundesgesetzblatt I, p.149);
- (b) in Belgium, by Article 1 of the Law of 11 May 1967 (Moniteur belge of 22.12.1968) and in the Grand Duchy of Luxembourg, by the Ministerial Regulation of 14 December 1968 (Memorial No. A/65 of 30 December 1968);
- (c) in the Netherlands, by Article 2 of the Law of 30 May 1963 (Staatsblad 241).

These provisions of Article 6 shall likewise not preclude the application of similar progressive rate arrangements in other Member States.

Articles 14 to 16 unchanged

Article 17

(Official English version of  
original document not available)

Article 17

At the end of a period which shall not exceed 5 years from the date of entry into force of this directive, the Commission shall propose for the Community as a whole a system of taxation taking into account the special position of small breweries in the spirit of the provisions contained in Article 13.

Article 18 to 20 unchanged

<sup>1</sup>OJ No. C43 of 29.4.1972, p. 37 ff

EXPLANATORY STATEMENTIntroduction

1. The Sub-Committee on tax harmonization of the Committee on Finance and Budgets discussed this proposal for a directive at its meetings of 28 June 1972 and 11 October 1972, 29 October 1973, 19 December 1973 and 11 February, 1974

This report has been drawn up on the basis of the conclusions reached by the sub-committee.

Explanatory memorandum on the proposal for a directive

2. In the explanatory memorandum accompanying its proposal for a directive, the Commission of the Communities deals with the need to harmonize excise duties on beer and the choice of the substance to be taxed. It then reviews the most important points of the proposal for a directive.

The need to harmonize excise duties

3. The Commission of the Communities states that harmonization of the structures of excise duties is essential to establish neutral conditions for competition between Member States and that harmonization of the rates is needed to achieve completely free movement of beers within the common market by abolishing import taxes, export refunds, and frontier controls.

Choice of the substance to be taxed

4. Two systems are at present applied, namely a tax on wort (Benelux, Italy, United Kingdom and Ireland) and a tax on beer (Germany, France and Denmark).

The method of control is different for these two systems of taxation. Sampling is used in the Benelux countries, permanent supervision of the breweries in Italy and accounting controls in the other countries. In Italy the tax is assessed per hl/degree of beer and in Benelux per hl/degree of wort.

5. The Commission has chosen to adopt beer, the finished product, as the substance to be taxed. It considers that the tax charge on beer is absolutely independent of the conditions of manufacture in the different breweries where productivity differs widely. Losses may vary from 6 to 25 %.

In addition, there is no discrimination between imported and domestic beers and tax neutrality is therefore ensured.

## Content of the proposal for a directive

### Area of application and establishment of the excise duty

6. The substance to be taxed is beer as defined in item 22.03 of the common customs tariff, which gives a broader definition of beer than the trade legislation.
7. Tax is incurred on the production or importation of beer; imports may be effected either from a Member State (since tax frontiers have not been abolished) or from a non-member state of the community.
8. Excise duty is payable when the beer leaves the breweries, when it is consumed in the breweries - except for consumption by staff of the breweries - and when it is imported.
9. Four categories of taxation are envisaged and beer whose Plato density lies between two categories will be taxed at the rate for the higher category.
10. The excise rate is fixed per hl of beer. A base rate will be fixed for category I with increases for categories S, II and III.
11. Deliveries between factories are exempted from excise duty or will benefit from a duty refund.
12. Beers exported from breweries will be exempt and, when excise duty has been paid on such beer, Member States may refund the duty concerned at the rate in force at the time of export.

### Collection of excise duty

13. Brewing is subject to prior declaration to the tax authorities.
14. The breweries will declare every month to the tax authorities the quantities of beer leaving or entering their plant, the quantities consumed within the breweries and the destination of the outgoing quantities.
15. Member States will be responsible for checking the declarations.
16. Excise duty will be paid on submission of the declaration and, for imported beer, on the 25th of the month following import. In this case a deposit may be demanded.

### Implementing provisions

17. These provisions will be fixed in accordance with the procedure laid down in the decision setting up an Excise Board.



Provisions peculiar to certain States

18. The rates which have been fixed for the different categories will not stand in the way of the progressive rate arrangements related to the volume of production which exist in Germany, Belgium and the Netherlands. (These arrangements may be retained for five years). In addition, exemption is planned for farmers producing beer for their own consumption in Germany. Similarly, the system of collecting excise duty by subscription which is in force in Germany will be retained.

Observations and conclusions on the proposal for a directive from the Commission of the Communities

19. The Sub-Committee on tax harmonization considered the following main questions: retention of excise duty on beer; taxing the finished product and not beer wort, fixed ratio between the different categories of beer and equalization of competition between breweries of different sizes.

Retention of excise duty on beer

20. The tax experts believe it is necessary to attempt to simplify the tax systems and they consider, in particular, that there must be a move towards the abolition of excise duties. This is one of the reasons why, in particular, the Committee on Budgets has not adopted the proposal from the Commission designed to introduce an excise duty on wine in countries where it does not exist.

The problem of beer is different, as excise duty exists in the different member countries.

The sub-committee considered that the prospect of abolishing excise duties and, in particular, the excise duty on beer, was attractive. However, there is then the question of making up the losses in budgetary receipts resulting from the abolition of this excise duty, since the rate of V.A.T. cannot be increased indefinitely.

Another argument has been put forward in favour of the abolition of the excise duty on beer, namely that, like wine, beer is a product for routine consumption which, moreover, does not pose any grave dangers to health.

21. After discussing this question, the sub-committee did not think it ought to propose the abolition of excise duty on beer, since it considered that it was not possible in the immediate future to make up the resultant losses in tax receipts by increasing the rate of V.A.T. It also felt that excise duties offered a measure of flexibility and that for this reason they could be considered as a good instrument of budgetary policy. The sub-committee insisted, however, that the structures and rates of these excise duties should be harmonized as soon as possible.

### Tax on beer and not beer wort

22. A second question was examined, namely whether the tax should be charged on beer or beer wort.

The sub-committee decided in favour of taxing beer. It agreed with the arguments of the Commission of the Communities, in particular those concerning tax neutrality.

### Categories adopted for beer taxation

23. The sub-committee wondered why, for the assessment of beer, the Commission had adopted the different categories referred to in article 5, which involve taxing beer per degree hecto, whereas for wine the Commission proposes a tax per hectolitre. The Commission of the Communities stated, in this regard, that the factors used as a basis in establishing the categories were that beer was not taxed according to its alcohol content but according to its density, since it is the quantity of dry extract which gives beer its quality. Moreover, it is technically very difficult to measure the alcoholic strengths of beers of low density (or of low alcohol content).

The Commission adopted the principle of an identical tax on beers in the same category in Member States and the mean density ratios between the different existing categories; these categories are moreover the same as were adopted in the proposal for harmonization of legislation on foodstuffs.

Texts on the harmonization of foodstuff legislation also prohibit the sale in the Community of beers with a density lying between the categories listed in Article 5.

The provisions for taxing at the higher rate beer which lies between two categories, are to be considered as a penalty affecting beers of intermediate density sold fraudulently.

Imported beers must comply with Community legislation and will not be subject to any discrimination from the tax angle.

It should, however, be borne in mind that the Commission's proposals in this respect were formulated before the enlargement of the Community and therefore take no account of the position in the new Member States. The Committee on Budgets asks the Commission to consider a method which would make it possible to adapt the present provisions to the specific conditions in these countries.

#### The progressive rates

24. In its proposal for harmonization of the excise duty on beer, the Commission provides for special arrangements for certain countries and, in particular, retention of the progressive rates applied in the Federal Republic of Germany, in Belgium and in the Netherlands, which depend on the volume of production.

The sub-committee on tax harmonization discussed the problem of progressive rates and their abolition.

It came to the conclusion that Article 17 of the Commission's proposal did not take into account the special position of small- and medium-sized breweries and therefore proposes that the exceptions provided for in Article 13 should not be abolished five years after the entry into force of this directive but that after this period tax adjustments should be made meeting the actual needs of these undertakings. At the same time, the sub-committee was in favour of extending applicability of the progressive rates to Member States other than those mentioned in Article 13.

#### Tax on beer and wine

25. Following this brief analysis of the proposal for a directive, which makes provision for retaining excise duties on beer and harmonizing them, it is apparent that harmonization, in particular harmonization at a later date of excise duty rates may raise certain problems in regard to the balance between the tax on beer and that on wine, especially in wine-growing areas.

The draft report of the Committee on Budgets concerning the harmonization of excise duty on wine largely supports the Commission's proposal, which favours retention of this duty and the introduction of an excise duty on wine in countries where no such tax at present exists.

This problem should be considered by Parliament and the Commission of the Communities.