

# European Communities

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EUROPEAN PARLIAMENT

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### Report

drawn up on behalf of the Committee on Budgets

on the proposal from the Commission of the European Communities to the Council (Doc. 172/73) for a directive concerning the harmonization of excise duties on mineral oils

Rapporteur : Mr René PETRE

By letter of 24 September 1973 the President of the Council of the European Communities optionally requested the European Parliament to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a directive concerning the harmonization of excise duties on mineral oils.

The President of the European Parliament referred this proposal to the Committee on Budgets as the committee responsible and to the Committee on Energy, Research and Technology for its opinion.

On 24 October 1973 the Committee on Budgets appointed Mr Pêtre rapporteur.

This proposal was considered by the Sub-Committee on Tax Harmonization at its meeting of 19 December 1973 and by the Committee on Budgets at its meetings of 25 November and 2 December 1974.

At its meeting of 2 December 1974 the committee unanimously adopted the motion for a resolution.

Present: Mr Aigner, vice-chairman and acting chairman; Mr Pêtre, rapporteur; Mr Artzinger, Mr Cointat, Mr Gerlach, Mr Hansen, Mr Kirk, Mr Lagorce, Mr Maigaard and Mr Shaw.

The opinion of the Committee on Energy, Research and Technology is attached.

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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 concerning the harmonization of excise duty on mineral oils

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council<sup>1</sup>;
  - having been consulted by the Council on an optional basis (Doc. 172/73);
  - having regard to the report of the Committee on Budgets and the opinion of the Committee on Energy, Research and Technology (Doc. 401/74 );
1. Welcomes the Commission's proposal for a directive, which is seen as a further step towards Economic and Monetary Union;
  2. Regrets nevertheless that progress towards tax harmonization has been desultory and calls on all concerned to show a greater sense of urgency.
  3. Stresses the particular importance of the harmonization of excise duties on mineral oils, which not only has fiscal implications, but also has a bearing on fundamental problems of the common energy, transport and competition policy;
  4. Urges the Commission to report to it as soon as possible on the results of the investigations into the influence of mineral oil taxes on prices and the taxing of mineral oils as an instrument of energy policy;
  5. Urges the Commission once more to submit a proposal for the framing of a common energy policy which will also take all the fiscal aspects into account;
  6. Points out that the technical amendments it proposes do not affect its agreement with the objectives of the proposed directive;
  7. Requests the Commission to incorporate the following amendments in its proposal pursuant to Article 149(2) of the EEC Treaty;
  8. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

<sup>1</sup> OJ C 92 of 31 October 1973, p.36

- for air navigation;
- for internal navigation and coastal navigation;
- for coastal fishing;
- for agriculture.

The exemptions or reductions in the rate listed above shall be reviewed at the latest five years after the entry into force of this Directive.

2. Without prejudice to other Community provisions, Member States may furthermore maintain:

2. unchanged

(a) the exemptions from excise duty which apply, under their customs laws, to imports when this Directive enters into force in the cases given in the annex;

(a) unchanged

(b) the exemptions from excise duty which they grant, or will grant, under bilateral or multilateral conventions or agreements or by unilateral measures:

(b) unchanged

- to diplomatic missions or consular representations (including trade missions) from other states established in their territories;
- to international or inter-governmental institutions or bodies whose head office is in their territories;
- to the armed forces of other states, stationed in their territories;
- to bodies entrusted by foreign governments with the task of constructing, improving and maintaining military cemeteries.

EXPLANATORY STATEMENTPRELIMINARY REMARKS

1. By letter of 24 September 1973 the Council of the European Communities submitted to the European Parliament the Commission's proposal for a directive concerning the harmonization of excise duties on mineral oils. On 4 October 1973 this proposal for a directive was referred to the Committee on Budgets as the committee responsible and to the Committee on Energy, Research and Technology for its opinion.

2. At its meeting of 19 December 1973 the Sub-Committee on Tax Harmonization held an initial exchange of views on this subject. During these discussions it took note of the letter from Mr SPRINGORUM, chairman of the committee asked for its opinion, to the effect that in view of the present situation in the oil sector it felt unable to prepare an opinion for the committee responsible.

On 20 December 1973 the chairman of the Committee on Budgets, sent a letter to the Commission in which he referred to the deliberations of the Energy Committee and raised the question of a possible amendment to the directive to bring it into line with the current situation. In his reply of 17 May 1974 the vice-president of the Commission confirmed that 'the Commission maintained its opinion that the possibilities of action open to the Member States under this proposal during the first stage of harmonization left plenty of room for manoeuvre and that there was, therefore, no pressing need to amend it'.<sup>1</sup> He also pointed out that the Commission was at present working out a number of new energy initiatives and was studying, in that context, the effect of petroleum taxes on prices and the question of mineral oil taxes as an instrument of energy policy.

Your committee insists that the results of these investigations which, according to the Commission, should be completed next month, should be forwarded to the European Parliament as soon as possible.

<sup>1</sup> Cf. Notice to Members (PE 37.153)

5. Although as stated above, the Commission mentions in its 'excise duty package' the need to harmonize duties on mineral oils, this directive is much more important than those contained in the general 'excise duty package' on wine, beer, spirits or mixed beverages for example. This is not solely due to the fact that in most Member States<sup>1</sup> the yield from this tax is considerably higher than all other excise duties taken together. Expressed as a percentage of total tax revenue, it ranges from 3.7 in Denmark to 15.75 in Italy. Although the significance of excise duties on wine, beer and spirits is almost wholly fiscal, the picture is entirely different in the case of mineral oils. In addition to the budgetary aspect, which is of particular importance here but can be virtually ignored in the case of other excise duties, there are also basic issues involved concerning the common energy and transport policy. For example, there is the matter of ensuring energy supplies, the taxing of energy products so as not to affect competition, the outline of the common transport policy and the taxing of the various modes of transport so as not to affect competition.

6. At this point, a disadvantage of this directive becomes apparent. Although the European Parliament called in the DE BROGLIE report<sup>2</sup> for an overall plan for the approximation of taxes on different sources of energy, the Commission's proposal for a directive is almost exclusively concerned with tax harmonization, the problems mentioned being given one sentence at most in the explanatory memorandum.

7. It should be remembered in this connection that mineral oil is the only source of energy which is subject to a specific excise duty, whereas coal, natural gas and coal-generated gas and electricity are on the whole subject only to value added tax. The Commission considers that a harmonization of duties on all sources of energy would simply mean harmonization of the rates, and this the Commission intends to carry out at a later stage of the tax harmonization programme. Your committee does not share this view. An overall plan of this kind could be implemented in two stages, like the previous proposals submitted by the Commission on the harmonization of excise duties on certain products, with rate harmonization following at a later stage. The existing structural differences would at any rate justify this course.

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<sup>1</sup>With the exception of Denmark, Ireland and the United Kingdom; see Annex I

<sup>2</sup>See paragraph 4 of the motion for a resolution contained in this report

It is also surprising that the Commission wishes on the one hand to limit the full autonomy of the Member States by granting tax concessions on certain uses by means of a consultation procedure, but leaves it to the Member States, on the other hand, to set zero rates, which amount to nothing more than tax exemptions.

(d) Financial implications

13. In the interests of a better understanding of the proposed directive, a number of budgetary aspects should be listed.

According to the Commission,<sup>1</sup> the current income aimed at by Member States from duties on mineral oils was:

91.6%	from taxation of fuels for the propulsion of motor vehicles,
3.4%	from light oils (mostly for the heating of private homes)
3.1%	from heavy oils (mostly for heating purposes in industry)
1.9%	from lubricants and other dutiable products
<hr/>	
100.0%	

These are average figures, the actual figures for the Member States varying in respect of

- fuels - between 81.3% in Belgium and 100% in Denmark and Ireland
- light oils - between 0 (not dutiable) in Denmark and Ireland and 15.4% in Belgium
- heavy oils - between 0 (not dutiable) in Denmark, France and Ireland, and 6.5% in Luxembourg
- lubricants - 0 (not dutiable) in Denmark and Ireland and 2.0% in Italy

<sup>1</sup>Statistical information for 1972

supervision problems which are different from those of Member States which only import crude oil. The Commission points out that crude oil as such is not in effect taxed, because it is virtually impossible to use it as a fuel on account of its explosive properties.

In the interests of simplifying the directive on taxation as much as possible, the last reason alone should suffice to delete this provision.

18. In keeping with our position as regards the field of application of excise duties, your committee recognizes that the control aspect is also important in this connection and supports the Commission's proposed solution.

#### Taxation of public rail transport

19. Article 9(2)(b) exempts from excise duty gas oil used under fiscal control as fuel for the propulsion of railway vehicles running on public railway networks.

This is generally justified by the Commission and others on the grounds that public railway undertakings as opposed to road transporters manage their infrastructures themselves and generally bear the cost thereof. Pursuant to the principle of equality of treatment between modes of transport, these undertakings should not have to bear costs by levying a tax on the motor fuel which they use.

20. Your committee cannot accept this argument. It considers that the situation described by the Commission does not square with the facts. In most if not all Member States public railway undertakings operate at a loss; they cannot survive without State subsidies. It cannot therefore be argued that these undertakings bear the cost of their own infrastructures. Any exemption from excise duty for these undertakings would be another subsidy in disguise, which in the opinion of your committee is not desirable.

21. However, if the committee understands the Commission's proposal correctly, there is another reason for this. At a time when it is becoming increasingly clear that private transport cannot solve the transport problems of the future, it seems vital to allow public railway transport a certain



constitute a breach of Articles 92 to 94 of the EEC Treaty. The consultation procedure proposed by the Commission, according to which the Commission may deliver an opinion to the Member State which wishes to introduce a variation in rate, is not legally binding.

If there were a breach of the provisions of State aid, the Commission could not act under this directive, but only under Articles 92-94 of the EEC Treaty.

Whether it is a question of tax exemptions or zero rates, the fact remains that radical variations in the rate have a similar effect in both cases.

25. The object of the proposed amendment to Article 11(2) is to clarify the present text of the directive and to indicate that in this context not individual users, but groups of users are meant.

26. One member felt that Article 11(2) ('When a Member State maintains variations in rates in order to benefit certain users other than those provided for in Article 10 ...') contradicted the provisions of Article 10. A lengthy discussion and the interpretation given by the Commission convinced the committee that this was not the case. An amendment on the subject was then withdrawn.

#### CONCLUSIONS

27. Your committee expresses its satisfaction at the proposal for a directive submitted by the Commission concerning the harmonization of excise duties on mineral oils.

28. The proposed amendments do not conflict with the objectives of the proposed directive, but are concerned with technical problems and have been put forward in order to simplify the proposed directive.

29. With the reservations expressed in the proposed amendments to the text of the directive, your committee recommends that the proposal from the Commission of the European Communities be adopted.

## ANNEX II

## Rates of excise duty on mineral oils as at 1 July 1973 in the Member States of the Community

(a = average density at 15° C      b = legal rate of duty in national currency      c = rate of duty per t in national currency      d = rate of duty per t in u.a.)

Product	B	D	DK	F	GB	IRL	I	L	NL
I. Ordinary petrol	(a) 0.732 (b) 635 BF/hl (c) 8,675 (d) 178.28	0.733 44 DM/hl 600.27 186.43	0.730 82.17 ø/l 1,126 148.58	0.723 63.13 FF/hl 873.17 157.20	0.740 0.225 £/gall 66.82 160.36	0.729 0.2075 £/gall 62.61 150.26	- 13893 Lit/100kg 138930 220.05	0.732 535 FL/hl 7308 150.19	0.735 38.73 hf1/hl 526.93 149.57
I. Premium petrol	(a) 0.746 (b) 635 BF/hl (c) 8512 (d) 174.93	0.758 44 DM/hl 580.47 180.28	0.754 82.17 ø/l 1089.78 143.80	0.749 66.83 FF/hl 892.25 160.64	0.745 0.225 £/gall 66.37 159.28	0.746 0.2075 £/gall 61.18 146.83	- 13893 Lit/100kg 138930 220.05	0.746 535 FL/hl 7171 147.38	0.744 38.73 hf1/hl 520.56 147.76
I. Diesel fuel	(a) 0.829 (b) 225 BF/hl (c) 3,076 (d) 63.21	- 49.65 DM/100kg 496.50 154.20	- 0 0 0	0.830 37.90 FF/hl 456.62 82.21	0.836 0.225 £/gall 59.17 142.00	0.835 0.1773 £/gall 46.70 112.07	- 5162 Lit/100kg 51620 81.76	0.829 115 FL/hl 1387 28.50	0.832 16.87 hf1/hl 202.76 57.55
V. Light heating oil	(a) 0.829 (b) 45 BF/hl (c) 543 (d) 11.16	- 1 DM/100 kg 10 3.10	- 0 0 0	0.831/0.900 1.83 FF/hl 22.02/20.33 3.96/3.66	0.836 0.01 £/gall 2.63 6.31	- 0 0 0	- 350 Lit/100kg 3500 5.54	0.829 25-38 FL/hl 301-458 6.19-9.41	0.832 3.26 hf1/hl 39.18 11.12
V. Heavy fuel oil	(a) - (b) 10BF/100kg (c) 100 (d) 2.05	- 1.50 DM/100kg 15 4.65	- 0 0 0	- 0 0 0	0.960 0.01 £/gall 2.29 5.49	- 0 0 0	- 80 Lit/100kg 800 1.26	- 10 FL/100kg 100 2.05	- 1.40 hf1/hl 14 3.97
VI. Lubricating oils	(a) - (b) 10BF/100kg (c) 100 (d) 2.05	- 49.65 DM/100kg 496.50 154.20	- 0 0 0	- 27 FF/100kg 270 48.61	0.897 0.01 £/gall 2.45 5.88	- 0 0 0	-/100 kg 12400/15700 Lit 124000/157000 196.40/218.67	- 10 FL/100 kg 100 2.05	- 0 0 0
unit of national currency = u.a.	1 BF = 0.0205519	1 DM = 0.310580	1 dkr = 0.131956	1 FF = 0.180042	1 £ = 2.39999	1 £ = 2.39999	1 Lit. = 0.0015839	1 FL = 0.0205519	1 hf1 = 0.283864