

# Dock dues in the French outermost regions

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As required under Council Decision 940/2014/EU, the Commission presents a report concerning the 'dock dues' tax arrangements applied in the French outermost regions. The Decision authorises France, until 31 December 2020, to apply exemptions or reductions to dock dues for a number of locally manufactured products. The Annex to the Decision contains the list of products to which the tax exemptions or reductions may be applied. Depending on the product, the difference between the taxation of products manufactured locally and that of other products may not exceed 10%, 20% or 30%. The measures have been designed for the purpose of strengthening local industry in order to counter handicaps related to remoteness, raw-material and energy dependence, the obligation to build up larger stocks, the small size of the local market combined with a low level of export activity.

In accordance with the requirements of the Decision, the French authorities submitted in February 2018 a report on the application of the tax arrangements, assessing the impact of the measures taken and their contribution to the maintenance and promotion of local economic activities.

Specific evaluation reports for each of the French outermost regions, accompanied by requests to adapt the list of products to which differentiated taxation may apply, were sent on 15 March 2018 for French Guiana, Martinique and Guadeloupe, on 4 June 2018 for Réunion and, without requesting an update of the list, on 28 August 2018 for Mayotte. The requests for list updates relate to almost 90 products. These requests are aimed mainly at including new products on the lists and at reclassifying existing products on a list, allowing for a greater tax differential.

## *Commission's analysis of the French reports*

The Commission states that information provided shows that the differentiated dock-dues taxation arrangements have made it possible, for the majority of the products concerned, to maintain local production capable of occupying a greater or lesser share of the local market. In view of the constraints to which local businesses are subject, it is certain that, in many cases, local production could not have been maintained without this tax differential, and that would have had a detrimental economic and social effect.

The Commission makes the following points:

- the handicaps of the French autonomous regions that justified maintaining the dock dues arrangements in 2014 are still a factor, with all the consequences they have in terms of possible additional costs for local production;

the recent adaptations to the list of products benefiting from a tax differential have had a negligible impact on prices in the French outermost regions;

- dock dues have positive effects on economic activity in the French outermost regions. The overall effect of dock dues (revenue + tax reductions benefiting local production) is estimated, for 2016, at 3.3 % of GDP in the French outermost regions (ranging from 2.6 % in Réunion to 5 % in Mayotte). Moreover, dock dues revenue represents between 40 % and 50 % of the revenue of the territorial collectivities of the French outermost regions;

the dock dues arrangements do not disrupt the foreign trade conducted by the territories concerned and prevent a potential deterioration in the balance of trade;

- the dock dues arrangements are still necessary in so far as the conditions that justified the option of differentiated taxation for certain products still apply and in so far as there are still additional production costs.

### ***Adjustments to be made to the Council Decision***

The French authorities, in March 2018, asked that adaptations be made to the list of products to which differentiated taxation may be applied with regard to four of the French outermost regions (French Guiana, Réunion, Martinique and Guadeloupe). 50 measures are for new products to be included on the lists.

There are also 28 requests for products on a list to be reclassified to enable a greater taxation differential, 7 requests for a category of products to be expanded, and a number of requests for codes to be updated (9 products in French Guiana). All these represent almost 10 % of the products on the list. They are designed to re-establish businesses' competitiveness by compensating for a portion of the additional production costs that affect local production.

The French authorities stated that the products thus targeted represent declared local production amounting to EUR 225 million for 2016, and imports amounting to almost EUR 212 million. Imports of the products concerned increased by almost 5 % over the period 2014-2016, and the products fall into a very broad range of categories.

The [Commission's proposal](#) envisages amending the list of products to which differentiated taxation may be applied by accepting those changes requested by the French authorities for which due justification had been provided.