

# Procedure file

Basic information	
CNS - Consultation procedure Decision	2007/0131(CNS) Procedure completed
Excise duty: reduced rate on "traditional" rum produced in French overseas departments	
Repealing Decision 2002/166/EC <a href="#">2001/0142(CNS)</a>	
Amended by <a href="#">2011/0248(CNS)</a>	
Repealed by <a href="#">2013/0413(CNS)</a>	
Subject	
2.70.02 Indirect taxation, VAT, excise duties	
3.10.06.08 Wine, alcoholic and non-alcoholic beverages	
4.70.06 Outlying and outermost regions, overseas countries and territories	
Geographical area	
France	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>REGI</b> Regional Development		12/09/2007
		PPE-DE <a href="#">GALEOTE Gerardo</a>	
Council of the European Union	Committee for opinion	Rapporteur for opinion	Appointed
	<b>ECON</b> Economic and Monetary Affairs	The committee decided not to give an opinion.	
	<b>AGRI</b> Agriculture and Rural Development	The committee decided not to give an opinion.	
European Commission	Council configuration	Meeting	Date
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2822</a>	09/10/2007
European Commission	Commission DG	Commissioner	
	<a href="#">Taxation and Customs Union</a>	KOVÁCS László	

Key events			
27/06/2007	Legislative proposal published	<a href="#">COM(2007)0318</a>	Summary
03/09/2007	Committee referral announced in Parliament		
12/09/2007	Vote in committee		Summary
13/09/2007	Committee report tabled for plenary, 1st reading/single reading	<a href="#">A6-0318/2007</a>	
25/09/2007	Results of vote in Parliament		
25/09/2007	Decision by Parliament	<a href="#">T6-0393/2007</a>	Summary

09/10/2007	Act adopted by Council after consultation of Parliament		
09/10/2007	End of procedure in Parliament		
13/10/2007	Final act published in Official Journal		

### Technical information

Procedure reference	2007/0131(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Decision
	Repealing Decision 2002/166/EC <a href="#">2001/0142(CNS)</a> Amended by <a href="#">2011/0248(CNS)</a> Repealed by <a href="#">2013/0413(CNS)</a>
Legal basis	EC Treaty (after Amsterdam) EC 299-p2
Stage reached in procedure	Procedure completed
Committee dossier	REGI/6/51295

### Documentation gateway

Legislative proposal	<a href="#">COM(2007)0318</a>	27/06/2007	EC	Summary
Committee draft report	<a href="#">PE393.956</a>	06/09/2007	EP	
Committee report tabled for plenary, 1st reading/single reading	<a href="#">A6-0318/2007</a>	13/09/2007	EP	
Text adopted by Parliament, 1st reading/single reading	<a href="#">T6-0393/2007</a>	25/09/2007	EP	Summary

### Additional information

National parliaments	<a href="#">IPEX</a>
European Commission	<a href="#">EUR-Lex</a>

### Final act

[Decision 2007/659](#)  
[OJ L 270 13.10.2007, p. 0012](#) Summary

## Excise duty: reduced rate on "traditional" rum produced in French overseas departments

PURPOSE: to authorise France to apply a reduced rate of excise duty on ?traditional? rum produced in its overseas departments.

PROPOSED ACT: Council Decisions.

BACKGROUND: maintaining the cane-sugar-rum sector is crucial to the economic and social development of the French overseas departments. In the three departments most affected namely, Reunion, Guadeloupe and Martinique, the sector produces an annual turnover of about EUR 250 million and provides some 40 000 jobs, 22 000 of them directly. The cultivation of sugar cane is by far the most significant economic activity for the French overseas departments.

In recognition of the unique characteristics of the French overseas departments (and based on Treaty Article 299(2)) in 1995 the Community agreed to adopt legislation that allowed the French to apply a reduced rate of excise duty on ?traditional? rum produced in its overseas departments. This provision was later extended by Council Decision 2002/166/EC in respect of a quota of 90 000 HPA. Under the terms of that Decision, France was obliged to send a report to the Commission assessing whether the continuation of lower excise duties on traditional

rum should be extended. This the French did by December 2005. In their assessment report the French requested an extension of their reduced rate and to increase the quota by 30 000 HPA.

CONTENT: the purpose of this proposal is to authorise France to apply, from 1 January 2007 until 31 December 2012, a reduced rate of excise duty on "traditional" rum produced in its overseas departments in respect of a quota of 108 000 HPA. The following justifications are cited for continuing the current regime and extending the quota.

Firstly, the production of rum is critical to the economy of these remote overseas departments. The reduced rate benefits the various actors in the cane-sugar-rum sectors as follows: it allows mainland consumers to access traditional rum from the overseas departments at a reasonable price; it allows an outlet for the production of distilleries and at a better value; and it ensure the maintenance of the sugar cane industry thereby allowing for continued employment.

Secondly, the French authorities estimate that the removal of the reduced rate would result in a loss of 50% of the trade outlets (mainly in mainland France) and thus the closure of 75% of the distilleries.

Thirdly, that imports into mainland France of rum of other origins increased by over 500% over the period 2000-2005. The existence of special tax arrangements is not, therefore, preventing competing rums from increasing their penetration onto the French market. Further, the integrity of the internal market is respected. The special tax arrangements granted to the overseas departments, since 1995, have not affected the growth in market share of rums of other origin.

Fourthly, the French authorities note that the reduced rate of excise duty on traditional rum has not encouraged the establishment of large international producers in the overseas departments in order to profit from the tax advantage granted to the sector. Indeed, the last international company stopped operating in Martinique in 2004.

On a final note, although the French government initially asked to increase the quota by 30 000 HPA, the Commission believes that an increase of 18 000 HPA is warranted, since that corresponds to the extrapolation over a six-year period of the consumption trends recorded in mainland France in recent years.

The proposal has no implications on the Community budget.

## Excise duty: reduced rate on "traditional" rum produced in French overseas departments

---

The Committee on Regional Development adopted the report drawn up by Gerardo GALEOTE (PPE-DE, ES), and approved the proposal for a Council decision on authorising France to apply a reduced rate of excise duty on "traditional" rum produced in its overseas departments and repealing Council Decision 2002/166/EC.

## Excise duty: reduced rate on "traditional" rum produced in French overseas departments

---

The European Parliament adopted the report drawn up by Gerardo GALEOTE (EPP-ED, ES), and approved the proposal for a Council decision on authorising France to apply a reduced rate of excise duty on "traditional" rum produced in its overseas departments and repealing Council Decision 2002/166/EC.

## Excise duty: reduced rate on "traditional" rum produced in French overseas departments

---

PURPOSE: authorising France to apply a reduced rate of excise duty on "traditional" rum produced in its overseas departments.

LEGISLATIVE ACT: Council Decision (2007/659/EC) authorising France to apply a reduced rate of excise duty on "traditional" rum produced in its overseas departments and repealing Decision 2002/166/EC.

BACKGROUND: on the basis of provisions set out in the Treaty on European Union (Article 299(2)) (and which applies to the French overseas departments), the Council adopted Decision 2002/166/EC, which authorises France to extend the application of a reduced rate of excise duty on "traditional" rum produced in its overseas departments. Compared with the rates of taxation applied to similar products not originating in the French overseas departments, the reduced rate may be lower than the minimum rate of excise duty on alcohol set by current EU legislation. However, it may not be more than 50 % lower than the standard national excise duty on alcohol.

In 2005 the French Government presented a mid-term report indicating that it was vital that the tax arrangements for traditional rum marketed in mainland France be maintained. Furthermore, France asked that the volume and duration of the tax arrangements for traditional rum on the mainland market be extended.

Maintaining the cane-sugar-rum sector in the overseas departments is vital to the French overseas departments economic and social balance. In the three departments most affected, Réunion, Guadeloupe and Martinique, the sector produces an annual turnover of over EUR 250 000 000 and provides some 40 000 jobs, including 22 000 direct jobs. The cultivation of cane also has a positive impact on the environment.

Given the small scale of the local market, the overseas departments' distilleries can continue their activities only if they have sufficient access to the market in mainland France, which is the main outlet for their rum production (over 50 % of the total). Since 2002 the total volume shipped to the Community market has fallen by 12 %, from 176 791 hectolitres of pure alcohol to 155 559 hectolitres of pure alcohol.

Only the market in mainland France, where rum from the overseas departments qualifies for special tax arrangements that partially compensate its high cost price, has enabled the overseas departments' rum industry to survive. Since the competitiveness of traditional rum from the overseas departments needs to be supported on the market in mainland France in order to safeguard the activity of their sugar-cane-rum sector, the quantities of traditional rum originating in the overseas departments eligible for a reduced rate of excise duty when released for consumption on that market should be reviewed.

CONTENT: based on the above reasoning the purpose of this Council Decision is to authorise France to apply from 1 January 2007 until 31

December 2012, a reduced rate of excise duty on 'traditional' rum produced in its overseas departments in respect of a quota of 108 000 HPA. The reduced rate may be lower than the minimum rate of excise duty on alcohol set by Directive 92/84/EEC, but may not be more than 50 % lower than the standard national excise duty on alcohol. By 30 June 2010 at the latest, France is expected to prepare a report justifying a prolongation of the current authorisation.

APPLY: 1 January 2007 until 31 December 2012.