



October 2006

POSITION
on
THE EUROPEAN COMMISSION PROPOSAL ON THE APPROXIMATION OF THE
RATES OF EXCISE DUTY APPLIED ON ALCOHOL AND ALCOHOLIC BEVERAGES
(REVISION OF THE MINIMUM RATES DIRECTIVE – 92/84 EEC)

The Brewers of Europe, the voice of the European brewing sector, is strongly opposed to the increase of minimum rates for beer. Raising the minimum rate for beer doesn't solve any internal market problems identified by the Commission itself, such as the excessively high rates and related trade distortions, and furthermore damages a dynamic European sector and penalises the consumer with higher prices on beer. Moreover it reinforces the unfair fiscal treatment of beer against wine and other fermented beverages.

Following the consultation on the Commission Report on the rates of excise duty applied on alcohol and alcohol beverages¹, and the opinions provided by the Council² and the Economic and Social Committee³, the European Commission published a proposal⁴ on the revision of the Directive 92/84 on 8 September 2006.

The Commission proposes to increase the minimum rates for beer, intermediate products and spirits by **31 %**⁵, leaving the minimum rate for wine and other fermented beverages at 0 €, with a possibility of transitional periods to reach the new minimum for the countries which lawfully apply rates close to the present minimum.

The Brewers of Europe express their disagreement with the Commission's proposal and deplore that the conclusions of the Commission Rates report and the opinion of the Economic and Social Committee were not taken into account in the presented draft.

The Brewers of Europe regret that in the view of the Commission no consultation of interested parties was required and that no impact assessment was realised in such an important matter for the brewing sector. Also, as declared in the proposal itself, the context in which the Rates report was issued is different today, and today's economic circumstances have not been taken into account.

It is The Brewers of Europe view that the Commission proposal does not respond to the needs of achieving the Internal Market. Also, the revalorisation is not an obligatory measure. Therefore the **recommendations of the brewing sector** would be the following:

- To **not increase the present EU Minimum rates level**, as it doesn't provide any solution to trade distortions problems and it only leads to a further discriminatory treatment of beer against wine and other fermented beverages
- To **deal with cross border distortions** by addressing the real cause, which are the excessive tax rates **in the Northern Member States**
- To bring forward **new proposals to address the clear discrimination against beer** in favour of wine and other fermented beverages, **by establishing a division between fermented and distilled beverages**, where a **common rate of 0 euros would apply for all fermented beverages**, as proposed by the Economic and Social Committee.

¹ Report from the Commission to the Council, the European Parliament and the European Economic and Social Committee on the rates of excise duty applied on alcohol and alcoholic beverages, from 26 May 2004, [COM\(2004\) 223 final](#)

² Ecofin Council Conclusions of Session 2651 held on 12 April 2005

³ [Opinion of the European Economic and Social Committee](#) on the Report from the Commission to the Council, the European Parliament and the European Economic and Social Committee on the rates of excise duty applied on alcohol and alcoholic beverages, from 18 January 2006, OJ C 69, 21 03 2006

⁴ Proposal for a Council Directive amending Directive 92/84 on the approximation of the rates of excise duty on alcohol and alcoholic beverages, from 8 September 2006, [COM \(2006\) 486 final](#)

⁵ Total EU inflation between 1.01.1993 and 31.12.2005, based on Eurostat data on the annual rate of change of the HICP (Harmonised Index of Consumer Prices).

In particular, the following aspects of the Commission proposal are unsatisfactory in view of the brewing sector:

- **Increase of present minimum rate by 31%**

The proposed increase of 31% is an arbitrary measure which has no practical justification for the affected Member States. Many of them only recently adapted their duties to the present EU minimum level, and a further increase would only damage employment and investment.

Any increase in the excise duty, will be exacerbated by the multiplier effects of VAT and trade margins, resulting in a significant rise in the final price of the beer sold to the consumer and consumer price inflation. Accordingly, the direct financial impact will be far bigger than the 1 euro cent suggested by the Commission and consequently penalise the consumer with higher prices. Moreover economic circumstances and, in particular, typical individual income levels, are different in each country and the real tax burden will be greater in some Member States than others⁶.

Impact of the increase	
Member State	% increase
Malta	31,3 %
Latvia	31 %
Germany	24,5 %
Luxembourg	23,5 %
Czech Republic	20,9 %
Lithuania	20,6 %
Spain	7,7 %

The revalorisation will only further and unlawfully distort competition between the different beverages, because the increase on beer tax can only result in encouraging consumers to switch from beer to wine and other fermented beverages.

Product	Present Min. Rate	New Rate
Wine (still and sparkling)	0 €/ HI	0 €/ HI
Beer	0,748 €/HI / °Plato or 1,87 €/HI / °Alc.	0,98 €/HI / °Plato or 2,45 €/HI / °Alc.
Intermediate products	45 €/ HI	59 €/ HI
Spirits	550 €/ HI at 100°Alc.	720 €/ HI at 100°Alc.

The increase will not solve the serious problems of extensive cross-border shopping, fraud and smuggling caused by the high rates in the northern Member States. Moreover the proposal even risks extending these problems into new geographic areas in Europe.

- **Impact assessment**

The Commission did not conduct any economic impact assessment in view of the increase, and moreover, the draft even foresees, that the future proposal will not be submitted to a detailed impact assessment. However, any raise of fiscal burden has immediate consequences for product prices, employment and overall competitiveness. The proposal is, in effect, a proposal to increase actual tax rates and must therefore be preceded by a proper economic impact assessment to consider the market and revenue consequences and the effects of increased fiscal discrimination against beer.

- **Periodicity of the report**

Under present art. 8 of Directive 92/84 EC the Commission is obliged to review the effectiveness of the minimum rates every two years, but the Commission has consistently failed to fulfil its obligations.

The problems created by the high tax Member States are serious and have been recognised in the last Excise Duty Rates report. Therefore they need to be addressed in priority, before issuing a report, as until measures have been adopted to deal with these problems it is inappropriate to have a review of the "effectiveness" of the rates. There is no need for issuing a new report, if the only consequence would be further minimum rates increases, without providing solutions caused by tax distortions.

⁶ Study "[The Consequences of higher minimum excise duty for beer](#)", Oxford Economic Forecasting, January 2006

The Brewers of Europe

The Brewers of Europe is the voice of the European brewing sector, one of the most competitive and dynamic contributors to Europe's economy.

- The total employment effect generated by the brewing sector in the EU is 2.6 million jobs, directly and indirectly, representing 1,2 percent of total EU-25 employment,
- Its contribution to the European economy is around 0,55 percent of total GDP. The total contribution of the brewing sector to the European economy in terms of value added is 57.5 billion euros
- There are more than 3000 SMEs in Europe's brewing sector. These help foster Europe's regional development and the competitiveness of our agriculture, and make it the world's largest producer, with 5 of 7 world's largest producer being from Europe.