

EUROPEAN PARLIAMENT

Working Documents

1978 - 1979

4 July 1978

DOCUMENT 205/78

4414.412

Report

drawn up on behalf of the Committee on Agriculture

on taxes applicable to wine and alcoholic beverages (Doc. 379/77)

Rapporteur: Mr F. PISONI

1.2.1

On 15 November 1977 Mr Pisoni, Mr Ligios, Mr Fioret, Mr Liogier, Mr Vitale, Mr Albertini, Mr Guerlin and Mr Pucci tabled, pursuant to Rule 25 of the Rules of Procedure, a motion for a resolution on taxes applicable to wine and alcoholic beverages.

The President of the European Parliament referred this motion to the Committee on Agriculture as the committee responsible and to the Committee on Economic and Monetary Affairs and the Committee on Budgets for their opinions.

At its meeting of 22/23 November 1977 the Committee on Agriculture appointed Mr Pisoni rapporteur.

The committee considered the draft report at its meetings of 17/18 April, 25/26 May and 22/23 June 1978. At the last of these meetings it adopted the motion for a resolution by 11 votes in favour with 6 abstentions.

Present: Mr Kofoed, chairman; Mr Liogier, Mr Ligios and Mr Hughes, vice-chairmen; Mr Pisoni, rapporteur; Mr Andersen, Mr Brugger, Mr Cifarelli, Mr Delmotte (deputizing for Mr Brégégère), Mr Dewulf, Mrs Dunwoody, Mr Früh, Mr Hansen, Mr Kavanagh (deputizing for Mrs Krouwel-Vlam), Mr L'Estrange, Mr Ney and Mr Osborn (deputizing for Mr Scott-Hopkins).

By letter of 27 April 1978 the Committee on Budgets informed the chairman of the Committee on Agriculture that it would not be delivering an opinion. By letter of 2 May 1978 the Committee on Economic and Monetary Affairs did likewise.

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The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on taxes applicable to wine and alcoholic beverages

The European Parliament,

- having regard to the motion for a resolution on taxes applicable to wine and alcoholic beverages (Doc. 379/77),
 - having regard to the oral question tabled in January 1977 by Mr Pisoni and 17 other signatories, on excise duties and other taxes on wine (Doc. 501/76),
 - having regard to the Communication from the Commission to the Council on the problems posed by excise harmonization (COM(77) 338 final, 27 July 1977),
 - having regard to the report of the Committee on Agriculture (Doc. 205/78),
1. Considers that this motion for a resolution represents a practical and appropriate approach to the serious and delicate problems arising at Community level from discrimination in taxation and other fields between various alcoholic beverages;
 2. Believes that it constitutes a valuable basis for discussion and that the solution proposed therein is valuable because it is comprehensive, simple, and can be applied within a short time, reconciling as it does the often conflicting interests of the individual Member States;
 3. Therefore approves and supports the resolution;
 4. Welcomes in particular the suggested outline for a proposal for a directive to be presented by the Commission as soon as possible and to be based on the following points:

- (a) the drawing up by the Community of groups of alcoholic beverages in competition or of a similar nature;
 - (b) the freedom for individual Member States to fix the VAT rate which they see fit, provided it is the same for the individual groups of beverages or for all beverages;
 - (c) in the case of excise duties, the establishment at Community level for each group of beverages, of a bracket (with a minimum rate of zero) within which Member States would be free to choose the rate applied;
 - (d) the establishment, again at Community level, of maximum differences, litre by litre, for beverages in the different groups, of comparable alcoholic strength having regard to normal drinking habits, which the individual States may not exceed;
 - (e) the abolition of any other tax burden or any normative discrimination;
5. Calls upon the Commission to present a proposal for an overall directive and to withdraw its previous proposals for harmonization in this sector which are now out of date;
6. Calls upon the Council to issue a statement of policy committing it to approving as quickly as possible the proposal for a directive based on the above principles;
7. Instructs its President to forward this resolution and the report to the Council and the Commission of the European Communities.

EXPLANATORY STATEMENTI. Taxes applicable to wine

1. The problem of the taxes applicable to wine has been debated on many occasions in the European Parliament and in its Committee on Agriculture. The serious effects of these taxes on wine consumption in non-producing countries has always been a source of concern to the Community authorities, particularly in view of the contradictions arising from the existence of wine surpluses, and the cost of Community measures to distill excess quantities and grub-up poor-quality vineyards.

2. Parliament has already officially adopted positions on this matter at its part-sessions. In July 1975¹, during a debate on the DELLA BRIOTTA report on amendments to the common organization of the market in wine, Parliament, in paragraph 36 and 37 of its resolution, made the following statements:

'36. Regrets that the Commission has not submitted concrete proposals for the gradual elimination of the tax burdens of various kinds that weigh heavily on Community wine consumption;

37. Invites the Commission to submit proposals immediately and not to neglect this aspect of the problem, which is a vital factor in the endeavours to achieve a total overall balance between conditions of supply and conditions of demand, particularly as in periods of economic crisis there is a serious danger of a fall in the demand of wine.'

3. The European Parliament was even more explicit during the debate on the 1977 farm prices (rapporteur: Mr KOFOED, Doc. 9/77). It stated in paragraph 34²:

'34. Finds it unacceptable that, in spite of the recommendation made by the Commission and in spite of the crisis in the wine sector, some Member States continue to obstruct imports of Community wine with very heavy excise and other taxes.'

4. This question was further discussed at length during the January 1977 part-session in the debate on the oral question tabled by Mr Pisoni and 17 other signatories on 'excise duties and other taxes on wine' (Doc. 501/76, see Annex II to this report).

¹ See OJ No. C 179, 6.8.1975, page 36.

² See OJ No. C 93, 18.4.1977, page 11.

The question was based on a number of facts:

- the very heavy taxes on wine in a number of Member States;
- the failure of some Member States to respect the recommendation addressed to them by the Commission on this subject;
- the 1972 Commission proposal on the introduction of a harmonized excise duty on wine and beer and the European Parliament's opinion on this;
- the effects on wine consumption and on taxation revenue of excise duties on wine.

On the basis of these facts, the questioners asked the Commission what measures it intended to take in this field. The reply by Mr. Burke was somewhat evasive and the Commission made no specific commitment to take decisive action in this very sensitive sector.

5. The motion for a resolution tabled in November 1977 by Mr Pisoni and 17 other signatories, pursuant to Rule 25 of the Rules of Procedure, which is at present being considered by the Committee on Agriculture as the committee responsible, after a brief description of the present situation as regards the fiscal treatment of wine and other alcoholic beverages, proposes an original solution to which the Commission should give close consideration. However, before going into the merits of this solution, it will be useful to describe the present situation in the Community.

(a) Taxes on wine in the Community

6. The Commission has supplied the following information on excise duty and VAT on table wine made from fresh grapes and with an alcoholic strength of 13° (see annexes III, IV, V and VI):

Country	Amount of excise duty per hl		VAT rate %
	in national currency	in EUA as at 3.1.78	
Belgium	Bfrs 1,306	32.35	25
Denmark	Dkr 750	105.16	18
Federal Republic of Germany	-	-	11
France	FF 9	1.56	17.6
Ireland	£ 50.57	79.43	10
Italy	-	-	14
Luxembourg	Lfrs 706	17.49	5
Netherlands	F1 90.26	32.36	18
United Kingdom	£ 71.50	112.31	8

7. As can be seen, there are enormous disparities in the levels of excise duties, which vary from more than 1 EUA per litre in the United Kingdom and Denmark to zero in Italy and Germany, and also in the VAT rate, which varies from 25% in Belgium to 5% in Luxembourg with 18% in Denmark and the Netherlands. As a result, the producer price for good Italian or French table wine can easily be multiplied 5 or 6 times by this enormous fiscal burden.

8. It is clear that this tax burden has substantial effects on total consumption of wine in the countries concerned, although it is difficult to quantify its effects compared with other factors such as eating and drinking habits, competition from beer or other products, and problems of distribution or supply. At all events, the growth of per capita annual wine consumption in the EEC has been as follows:

Development of wine consumption per head per year in the Community ¹ in litres								
	1962/ 63	1969/ 70	1970/ 71	1971/ 72	1972/ 73	1973/ 74	1974/ 75	1975/ 76
EUR 9		51	51	50	51	48	51	51
EUR 6	68	67	67	65	66	63	66	66
Germany	13	16	18	20	22	20	23	23
France	121	108	108	107	108	104	103	102
Italy	108	112	111	102	101	95	103	102
Netherlands	3	5	6	6	9	9	10	10
Belgium	8	12	13	13	14	14	15	14
Luxembourg	26	37	41	41	40	48	40	44
United Kingdom		3	3	4	5	4	6	5
Ireland		2	2	2	2	2	2	2
Denmark		5	5	6	10	9	11	9

¹ Source: COM(77) 22 final, 15.2.1977, table 18
See also Annex VII.

9. The following conclusions can be drawn from this table:

- the very low consumption per head in the northern countries;
- the gradual increase in percentage terms of consumption in those countries, although in absolute terms it remains very low;
- the decrease (France) or the stabilization (Italy) of consumption in the traditional consumer countries;
- the scope for a potentially substantial increase in consumption in the non-producer countries.

10. For comparison, we give below a table of the duties on beer, the product in most direct competition with wine, as at 3 January 1978.

	<u>In national currency/hl</u>	<u>In EUA/hl</u> (as at 3.1.78)
Germany	DM 12 to 15	4.65/5.81
Belgium	Bfr 219 to 345	5.42/8.55
Denmark	Dkr 386.75	54.22
France	FF 8	1.39
Ireland	£14.81 to 16.45	23.26/25.84
Italy	Lit 7,500	6.98
Luxembourg	Lfrs 159.50 to 261	3.95/6.46
Netherlands	Fl 20.60 to 23.75	7.39/8.51
United Kingdom	£12.77 to 14.19	20.06/22.29

As can be seen, the greatest differences between the taxes applied to wine and beer are to be found in the following countries:

Belgium: Bfrs 961 to 1087/hl (it should also be noted that in this country the VAT rate on beer has remained at 16% while that on wine is 25%)

Denmark: Dkr 363.25/hl

Ireland: £34.12 to 35.76/hl

Netherlands: Fl 66.51 to 69.66/hl

United Kingdom: £57.31 to 58.73/hl.

11. One of the main reasons adduced by Member States which apply heavy excise duties on wine for failing to reduce them and indeed for increasing them regularly, is that of the taxation revenue they earn. However, in view of the very low per capita consumption, this cannot be considered a valid reason, as the following examples demonstrate¹:

	Duties on wine 1975	Total revenue from excise duties 1975	%
Netherlands (million Fl)	90	5,920	1.5
United Kingdom (million £)	198	4,703	4.2
Ireland (million £)	3.65	307.44	1.2
Denmark (million Dkr)	354	11,596	3

(b) The effects of excessive taxation on wine

12. The first and most important effect, of which mention has already been made, is a reduction in consumption in countries where taxes are high to insignificant levels, as wine becomes a luxury product, an item of non-essential spending, inaccessible, through its high cost, to the poorer sections

¹ Source: EUROSTAT, Annual Taxation Statistics, 1976.

of the public. Even from a purely social point of view, as was pointed out by Mr Frehsee of the Socialist Group in particular, during the debate on the oral question mentioned above¹ this tax is misguided because 'it is not justifiable to put a very heavy tax on this healthy general article of food'. Other speakers stressed the need to make a distinction between popular drinks on the one hand, such as table wine and beer, intended for the great working masses, and therefore not to be excessively taxed, and luxury products on the other hand (quality wines, sparkling wines, liqueurs, etc.) where a higher tax might be justified.

13. Another serious effect of this excessive taxation is to encourage the sale of second-rate wine of very poor quality, bought cheaply from the producer in an attempt to reduce the final selling price to consumers, which would otherwise be prohibitive because of the various taxes. However, not only does this drive off the market good quality wine, wine of registered origin and even good quality table wine, but also encourages fraud, with the marketing of wines whose origins are dubious and contents a mystery, often with prestigious but faked labels. Clearly this practice can only damage consumers and honest producers.

14. Thirdly, the limitation of wine consumption caused in non-producer countries by the excessive tax burden has unfavourable effects on the Community market situation. Thus surpluses are built up, which can certainly not be described as structural and which can be disposed of only through expensive special distillation operations, as is clear from the following table:

<u>Marketing year</u>	<u>Thousand hectolitres</u>
1970/71	3,400
1971/72	3,500
1972/73	-
1973/74	5,893
1974/75	20,277
1975/76	2,200

EAGGF expenditure for the various distilling operations totalled 124.4 million u.a. in 1976 and appropriations for 1977 and 1978 were 33.7 million u.a. and 138.7 million EUA respectively. The Community has also launched a number of operations to reduce potential Community production through the grubbing-up of vineyards, a typically uneconomic and absurd operation, bearing in mind that even a slight increase in consumption per head of 1 or 2 litres in the non-producing countries would provide the complete solution to the problem of Community surpluses.

¹ See Debates of the European Parliament, No. 211 - sitting of Thursday, 13 January 1977.

15. The excessive tax burden on wine also violates the spirit and the letter of the Treaties. Article 95 of the Treaty of Rome lays down:

'No Member State shall impose, directly or indirectly, on the products of other Member States any internal taxation of any kind in excess of that imposed directly or indirectly on similar domestic products. Furthermore, no Member State shall impose on products of other Member States any internal taxation of such a nature as to afford indirect protection to other products.'

This latter case applies directly to the competing products beer and wine, so much so that the Commission has opened a procedure against the United Kingdom under Article 169 of the EEC Treaty for breach of the second paragraph of Article 95. In accordance with this procedure a reasoned opinion has been delivered to the United Kingdom on this subject¹.

(c) Action by the Commission

16. The Commission's action on the taxation of wine and alcoholic beverages has been at three levels:

- a procedure for breach of treaty against Member States, as in the case mentioned above and as occurs even more frequently in the alcoholic products sector, with the possibility of bringing proceedings before the Court of Justice;
- the sending of recommendations to the Member States;
- attempts to harmonize excise and other duties.

17. As regards recommendations to Member States, the recommendation of 5 December 1975² is worth mentioning. After pointing out that certain Member States had high excise duties on wine and that some of them were intending to increase them substantially, which in the present situation in the wine sector would have had harmful repercussions on the marketing of wines in the Community, the Commission recommended, pursuant to Article 155 of the Treaty, that the Member States:

- reduce appreciably the rate of excise duties levied by them on wines;
- forego any planned or recently introduced increase in the rate of these excise duties.

¹ See OJ No. C 52, 1.3.1978, page 19 (Written Question No. 754/77)

² See OJ No. L 2, 7.1.1976, page 13.

This recommendation was completely ignored; in fact just as it was published a number of Member States introduced substantial increases in their already very heavy excise duties.

18. Attempts at harmonization have not been any more successful. In 1972 the Commission presented proposals for harmonized excise duties on wine (see OJ No. C 43, 29.4.1972, Doc. 4/72) providing for the introduction in all the Member States of a harmonized excise duty on wine, with a minimum of 1 u.a./hl fixed at Community level, but without any maximum limit. Apart from this duty, Member States were not authorized to introduce any other indirect duties.

The European Parliament, however, did not approve the Commission's approach and in its resolution of 5 April 1974¹ expressed the view that the amount of revenue from excise duty levied on wine in the Member States might be regarded as negligible in comparison with the total tax revenue of these Member States; it also considered that the introduction of an excise duty on wine in Member States where this did not exist would not be justified and indeed called upon the Commission to submit fresh proposals for the abolition of excise duty on wine in the Member States where it exists. It thus adopted a position diametrically opposed to that of the Commission which was proposing to introduce an excise duty in states in which it did not exist and merely fixed a lower limit (1 u.a./hl) without setting a maximum limit.

19. The Commission, however, informed Parliament that it could not accept its position and maintained its initial proposal. Nevertheless, the Council's attitude to its proposal is well known - it has never been discussed at ministerial level, but only by national experts and the permanent representatives, and there is practically no chance of its being approved in the short or the long term.

20. In view of this, the Commission, while not withdrawing its proposal, did not ask the Council, in its recent communication on the problems raised by the harmonization of excise duties², to resume consideration of the proposal immediately with a view to adoption in the short-term. It recognized that such a request would be unrealistic, in view of the strong opposition of a number of delegations, and simply asked the Council to resume immediately discussion of the proposals on the harmonization of duties on alcohol and on beer with a view to approval by 1 May 1978, but did not insist on the question of wine.

¹ OJ No. C 48, 25.4.1974, page 7

² COM(77) 338 final, 27.7.1977

II. Discrimination between alcoholic beverages

21. Discrimination, both in taxation and other fields, in the same Member State between alcoholic beverages manufactured domestically and those imported from other Member States is one of the most difficult problems in relations between Member States and continues to provoke not only repeated intervention by the Commission, following violation of the rules of competition laid down in the Treaties, but also the bringing of proceedings before the Court of Justice and long drawn-out disputes. There has, for example, been a long series of written questions to the Commission and the Council tabled by Members of the European Parliament denouncing both recent and long-standing abuses and asking these bodies to take decisive action.

22. Your committee does not intend to enter in detail into these disputes, which go beyond the restricted scope of this report, which is concerned primarily with agriculture. Other committees more directly concerned may wish to deal with this aspect at greater length. However, since the motion for a resolution before the committee puts forward an overall solution covering not only wine and beer but also all alcoholic beverages, it will touch on this problem briefly with a survey which, although not exhaustive, is nevertheless indicative of the deterioration which has led to the present, almost unacceptable, situation.

23. The following are some of the main forms of discrimination between alcoholic beverages in the various Member States:

- (a) the fixing of different VAT rates and duties for domestic and for imported products: this is the case for example for Danish spirits, which in Denmark are taxed at a lower rate than those from abroad; until recently the same was the case in Italy, where spirits distilled from wine were subject to a VAT rate of 18% compared with 30% for grain spirits: however, this practice was abolished by Decree-Law No. 58 of 4 March 1977 (standardization of VAT at 18%);
- (b) the maintenance of various heavy taxes such as manufacturing taxes and sales taxes (France), exchequer duties and excise stamps (Italy), aimed at providing indirect protection for domestic production;
- (c) various forms of discrimination such as: rules on advertising to protect indirectly domestic production (France); deferment of payment of certain taxes granted only to domestic production (United Kingdom, Ireland); prohibition on delivery and marketing of imported alcoholic drinks to certain categories of authorized stockists (France); restrictions on some alcoholic drinks and not on others such as beer, in certain public places (Belgium); in France, moreover, Article 268 of Annex II to the 'Code général des impôts' prohibits the distillation of any imported product, whilst products of French origin may be regularly distilled

III. The proposed overall situation

24. The motion for a resolution before our committee proposes an overall solution to the whole problem of the taxation of alcoholic beverages which has the advantage of being simple while at the same time not offending any of the parties concerned and offering a fair solution to each of their problems. Simplifying greatly, the following is an overall picture of the situation:

Italy discriminates against beer in favour of wine, against grain spirits and spirits made from sugar cane in favour of spirits made from wine (brandy and grape spirit) and from fruit; the United Kingdom heavily favours beer against wine; Denmark favours beer against wine and favours its own distilled spirit (akvavit) against all other beverages of a high alcoholic content; Belgium and Holland also discriminate strongly in favour of beer and against wine; Ireland behaves like the United Kingdom but is a little more moderate; France has fairly equal taxes on wine and beer, but strongly favours its own liqueurs (the 'vins doux et naturels' and others) and its own spirits made from wine, fruit and sugar cane, not only against whisky and other grain spirits but also against liqueurs made from wine, vermouths and other flavoured wines, and Italian spirits made from wine.

25. The solution to this complex situation cannot be found merely in a legalistic interpretation of the Treaty of Rome and in particular of Article 95, which might cause resentment between wine and beer producers, since it is easier to encourage competitiveness between the various types of spirit than it is between these two products. The parties concerned should therefore get around the table to find a politically acceptable solution for all concerned. The proposal before us offers just such a solution and has moreover been unanimously approved by the Community's Advisory Committee on Wine.

26. This proposal, which has the support of the Committee on Agriculture, consists in the following main points:

- (a) the presentation by the Commission of a proposal for a directive on the harmonization of excise and other duties on all alcoholic beverages (wine, beer, spirits, liqueurs, flavoured and sweet wines, etc.);

- (b) this directive should lay down that the VAT rate may be freely fixed in each country according to its needs, but must be the same for all types of alcoholic beverage, of whatever alcoholic content, domestic or imported, or should at least be the same within the individual groups of beverages mentioned in paragraph (d);
- (c) in the case of excise duties, the principle should be adopted whereby each country is free to apply a zero rate, if it sees fit; any Member State doing so is exempted from issuing national legislation implementing the directive;
- (d) the directive should draw up groups of competing beverages of similar characteristics: for example table wine up to 13° with all kinds of beer and fermented drinks produced from fruit; liqueur wines with flavoured wines; grain spirits with spirits distilled from wine; luxury wines and champagnes, etc.;
- (e) each Member State must, when imposing taxes other than VAT (i.e. excise duties) on the various groups of beverages mentioned in the preceding paragraph, keep within a fixed Community bracket, while remaining free, within this bracket, to zero-rate specific drinks which it wishes to favour; for example if the bracket at Community level between beer and wine is laid down at a maximum of quarter of a unit of account, each country is free to zero-rate wine and apply a quarter of a u.a. on beer, or vice versa, or any rate between the two, or even, if it wishes, to apply the maximum level within the bracket to both products;
- (f) 'if beer and wine are placed in different groups, it will be necessary to provide at Community level for the establishment of maximum differences, litre by litre, for beverages in the different groups, of comparable alcoholic strength having regard to normal drinking habits, which the individual States may not exceed. In this way it will be possible to compare, for example, a litre of normal table wine of an alcoholic strength of about 11° with a litre of normal beer of about 3.5° since they are both the normally consumed products.'

That it is a practical possibility to classify beer and wine in different groups is shown by the ruling of the Court of Justice in case 27/67, whereby the similarity referred to in the first paragraph of Article 95 of the Treaty exists if the products in question are normally considered classifiable, as the case may be, in the same fiscal, customs or statistical category. Since beer and wine fall under different customs headings, they can easily be placed in different tax groups.

- (g) the abolition of all discrimination, within the groups of beverages mentioned in paragraph (d), on marketing, advertising, excise stamps, etc.;
- (h) the technical systems for applying and collecting excise duties and their structures should also be harmonized: for example, there should be uniform standards on deferred payment of taxes, on facilities for suspending taxes on bonded warehousing; on the percentage loss allowed for during the manufacturing or maturing process, etc.;
- (i) lastly, Member States should be prohibited from introducing new rules in this sector without the authorization of the Community.

Conclusion

27. The Committee on Agriculture supports the proposal described above because it feels that this proposal alone can conciliate the various requirements of the Member States without discrimination. This proposal has the virtue of simplicity and can be implemented rapidly if the Council shows a minimum of Community solidarity and mutual understanding. Moreover, it will prevent the recurrence in the future of present disputes, with accusations and counter-accusations with Member States bringing proceedings against one another, when in fact sometimes the states bringing proceedings are more guilty than those accused.

28. Nor should one forget the number of jobs at stake: millions of wine growers and workers in the wine industry and various distilleries could have their jobs and their incomes threatened by discriminatory fiscal policies practised in other Member States. The proposed solution, which is the result of an attempt to find a reasonable compromise, can provide them with the guarantees for the future that they need.

29. Two kinds of objections could be raised by the Member States concerned: the fear of excessive reduction in taxation income and that of an increase in alcoholism. On the first point, we have already seen that the very low per capita consumption of wine in a number of countries means that the income from excise duties on wine is negligible compared to total excise duties and in particular compared to total taxation revenue; moreover, and this answers the second objection, too, it would be sufficient in specific cases (spirits, liqueurs) to maintain at a fairly high level the upper limit of the taxation bracket or to keep VAT rates high on all beverages or groups of competing beverages. The aim of the proposal is to prevent discrimination and conflicts between the Member States: in the view of the Committee on Agriculture, the proposal leaves ample freedom to the individual Member States to pursue their fiscal or social objectives, through the margin for manoeuvre available both in the VAT rate and in the bracket of excise duties.

30. Fears have also been raised that the introduction of a bracket tax system which would continue to allow Member States freedom of choice, and thus the opportunity to maintain discrimination between imported and domestic products, would be incompatible with the above-mentioned Article 95. However, the Committee on Agriculture rejects this interpretation. Compared to the present situation, characterized by total anarchy in the fiscal sector, the introduction of provisions making it compulsory for all states to keep their taxes within a fixed bracket - whose lower and upper limits would of course be determined by fair criteria specifically designed to avoid discrimination - would certainly constitute a major step forward and be fully in compliance with the spirit of the Treaty. In view of the practical impossibility of achieving total harmonization, the new system would be far more Community-minded than the present one, while at the same time leaving individual states some room for manoeuvre. The Commission would therefore do well to support it too.

31. For all these reasons, the Committee on Agriculture feels that the proposal represents a fair solution to the problem of duties on alcoholic beverages and recommends that the European Parliament adopt it.

MOTION FOR A RESOLUTION tabled by Mr PISONI, Mr LIGIOS, Mr FIORET, Mr LIOGIER, Mr VITALE, Mr ALBERTINI, Mr GUERLIN and Mr PUCCI pursuant to Rule 25 of the Rules of Procedure on taxes applicable to wine and alcoholic beverages (Doc. 379/78)

The European Parliament,

- having regard to the debate on taxes applicable to wine in the Community during the January 1977 part-session,
- having regard to the Communication from the Commission of the European Communities to the Council of 27 July 1977 on problems posed by excise harmonization¹, in which the Council is requested immediately to recommence discussions on the proposals submitted in 1972 to harmonize the excises on alcohol and beer, with a view to their adoption by 1 May 1978,
- having regard to the Commission's recommendation of 5 December 1975 to the Member States concerning the taxation of wine, asking them to reduce appreciably the rate of excise duties levied by them and to forego any increase in the rate of these duties²,
- considering that some products imported into certain Member States are discriminated against in favour of domestic products through increasingly frequent recourse to practices such as the fixing of sales taxes and VAT at much higher rates on wine than on beer, the classification of similar or substitutable products (for example grain spirits and spirits distilled from wine) in different excise and VAT categories, the granting of periods of tax deferment for domestic but not for foreign products, the banning of all advertising for certain imported alcoholic beverages, discrimination between sweet and flavoured wines, etc.,
- considering that one of the effects of these measures is to restrict to a negligible level the per capita consumption of wine in those countries where excessive taxation makes this product a luxury few people can afford,
- considering, therefore, that the differences between the systems currently applied lead to serious distortions of competition between the Member States and to veritable trade wars, retaliatory measures and interventions by the Court of Justice,

¹ COM(77) 338 final

² O.J. No L 2, 7.1.1977, p. 13

1. Regrets that the Commission does not intend to amend its 1972 proposal concerning the harmonization of excise duties on wine although it recognizes the practical impossibility of its being adopted as it stands by the Council, so much so that it simply dropped from the abovementioned communication its request to the Council to recommence discussion of the subject;
2. Considers that the two other proposals for the harmonization of excise duties on beer and alcohol are also unlikely to be adopted and therefore invites the Commission to amend them along the lines advocated below;
3. Asserts that the problem of the taxation of all alcoholic beverages requires a **global** approach which takes account of all aspects (sales tax, VAT rates, structure and coverage, methods of excise assessment, etc.), if solutions are to be found that enable unacceptable distinctions between the various types of beverage to be avoided;
4. Feels, therefore, that the Commission should put forward a proposal for a directive on alcoholic beverages based on the following principles :
 - a) the pairing of beverages considered to be in competition - for example table wine of an alcoholic strength of not more than 13° and all types of beer and fruit-based fermented beverages; sweet and flavoured wines; grain spirits and spirit distilled from wine, etc.;
 - b) harmonization at Community level of the VAT rate for each pair of competing beverages or the fixing, within a given country, of a single rate for all types of alcoholic beverages;
 - c) in the case of sales taxes (excises), the establishment of a reasonable bracket of 0 to X units of account for the difference in tax per litre of competing beverages, Member States being allowed to choose, within this bracket, level of taxation to be applied to each product; thus any given Member State would be free to apply an excise rate of X% to wine and a zero rating to beer or vice-versa, according to its particular requirements;
 - d) abolition of any other form of distinction between competing drinks as regards facilities, advertising, etc.;
 - e) standardization of the technical arrangements for applying each excise;
5. Considers that this overall solution will allow the Member States to retain some freedom of action, thus enabling them to meet their own particular needs, while at the same time preventing serious distortions of competition;
6. Stresses that a Community approach is needed in this sector in view of its major importance for employment in the regions producing wine and other alcoholic beverages;

7. Invites the Member States to demonstrate Community solidarity and a spirit of mutual understanding so that a compromise which will be in the interests of each may be reached;
8. Instructs its President to forward this resolution to the Council and Commission of the European Communities.

ORAL QUESTION with debate, pursuant to Rule 47 of the Rules of Procedure, by Mr PISIONI, Mr LIGIOS, Mr LIOGIER, Mr FRÜH, Mr PUCCI, Mr FIORET, Mr BERSANI, Mr VERNASCHI, Mr RIPAMONTI, Mr BRUGGER, Mrs CASSANMAGNAGO, Mr COLOMBO, Mr GRANELLI, Mr MARTINELLI, Mr NOË, Mr RIZ, Mr SCELBA and Mr MURSCH to the Commission of the European Communities (Doc. 501/76)

Subject : Excise duties and other taxes on wine

In view of the fact that

- some Member States have recently introduced a substantial increase in consumption taxes on wine;
- in consequence, the excise duty on a litre of normal table wine of an alcoholic strength of about 12° is now 7.50 kroner in Denmark, £0.65 in the United Kingdom, Bfrs 12 in Belgium and the Netherlands and £0.38 in Ireland;
- in recently increasing the excise duties on wine, Denmark, the United Kingdom, Belgium and the Netherlands have disregarded the recommendation addressed to them by the Commission on 5 December 1975¹, asking them to reduce appreciably the rate of excise duties levied by them and to forego any planned or recently introduced increase in the rate of these duties;
- at its sitting of 3 April 1974, the European Parliament, in delivering its opinion on the Commission proposal for a directive on a harmonized excise duty on wine had considered the introduction of such a duty to be unjustified and invited the Commission to submit fresh proposals for abolishing the duty in Member States where it exists²;
- the EEC Commission itself has repeatedly declared³ its strong opposition to the extremely high duties levied on wine in some countries which create a distinction between this product and beer and flavoured non-alcoholic beverages;
- the loss of revenue to the exchequer resulting from any reduction in the excise duties on wine would be very small overall, given the very low per capita consumption of this product in States imposing these excessive rates;

¹ O.J. No L 2 of 7.1.1976, p. 13

² O.J. No C 48 of 25.4.1974, p. 7, and Debates of the European Parliament, No 174, April 1974

³ See, for example, the statements made by Commissioner Lardinois at the European Parliament's July 1975 part-session - Debates of the European Parliament, No 193, July 1975

- even a modest increase in the per capita consumption of wine in these countries, helped by a reduction in the rate of the excise duties and other taxes, would promote trade in this important area of Community production and therefore make it easier to resolve a crisis which threatens the economy of vast regions in the Community;

would the Commission answer the following questions :

1. What measures does it intend to take in respect of those countries which have disregarded its recommendation of 5 December 1975 ?
2. What proposals does it envisage submitting in order to abolish excise duties on wine in the Community or at least to harmonize them by reducing them to a reasonable level ?
3. What measures does it intend to propose to reduce the excessive discrepancy between the taxes currently applied in non-wine producing countries to beer produced nationally and wine imported from other Community countries ?

ANNEX III

EXCISE DUTY RATES IN EUA⁽³⁾ LEVIED AT THE DATE OF
 3 JANUARY 1978 IN EACH MEMBER STATE ON SPIRITS, STILL TABLE
 WINE⁽¹⁾ AND BEER⁽²⁾ PER HL PURE ALCOHOL CONTAINED IN THESE PRODUCTS⁴

MS	Spirits / hl. p.a.	wine ⁽¹⁾ hl. p.a.	beer ⁽²⁾ / hl. p.a.
D	756.39	-	09.51 - 111.09
B	755.48	248.84	104.30 - 164.32
DK	3605.42	803.85	1204.08
F	282.55 - 1005.41	12.00	26.67
Irl	1583.22	611.03	645.98 - 775.35
I	98.63 - 195.40	-	134.20
L	421.09	0 - 134.52	75.97 - 124.32
NL	752.88	248.92	142.02 - 163.74
GB	1644.50	863.93	557.24 - 668.56

(1) still table wine of 13° G.L. = 7.69231 hl for 1 hl p.a.

(2) for D, B, F, I, L and NL: 12°5 plato = 5.2° G.L. = 19.23 hl for 1 hl p.a.

for DK: 10°5 plato = 4.5° G.L. = 22.22 hl for 1 hl p.a.

for Ireland and GB = 9° to 10° plato = 3° to 4° G.L. = 25 to 33.33 hl for 1 hl p.a.

(3) EUA at the date of 3 January 1978.

(4) The figures contained in this and the following tables were supplied by the Commission of the European Communities.

EXCISE DUTY RATES IN EUA⁽³⁾ LEVIED AT THE DATE OF 3 JANUARY 1978 IN EACH MEMBER STATE ON SPIRITS, STILL TABLE WINE⁽¹⁾ AND BEER⁽²⁾ (PER HL OF THE PRODUCT FOR WINE AND BEER RESP. PER HL PURE ALCOHOL FOR SPIRITS)

HS	spirits / hl p.a.	wine ⁽¹⁾ /hl	beer ⁽²⁾ / hl
D	756.39	-	4.65 - 5.81
B	755.48	32.35	5.42 - 8.55
DK	3605.42	105.16	54.22
F	202.55 - 1005.41	1.56	1.39
Irl	1583.22	79.43	23.26 - 25.04
I	91.63 - 195.40	-	6.98
L	421.09	0 - 17.49	3.95 - 6.46
NL	752.88	32.36	7.39 - 8.51
GB	1644.50	112.31	20.06 - 22.29

(1) rates are those applied on still table wine of 13° G.L.

(2) for D, B, F, I, L and NL: beer of 12°5 plato
for DK: beer of 10°5 plato
for Irl and GB: beer of 9° to 10° plato

(3) EUA at the date of 3 January 1978

EXCISE DUTY RATES IN NATIONAL CURRENCY LEVIED AT THE DATE OF
 31 JANUARY 1973 IN EACH MEMBER STATE ON SPIRITS, STILL TABLE WINES⁽¹⁾ AND
 BEER⁽²⁾ PER HL PURE ALCOHOL CONTAINED IN THESE PRODUCTS

M3	Spirits / hl. p.a.	wine ⁽¹⁾ / hl. p.a.	beer ⁽²⁾ / hl. p.a.
D	1950 DM	-	230.76 - 288.45 DM
B	30500 FB	10046 FB	4211 - 6634 FB
DK	25715 Dkr	5769 Dkr	8593 Dkr
F	1630 - 5000 FF	69.23 FF	153.84 FF
Irl	1007.92 £	389 £	411.25 - 493.61 £
I	106000 - 210000 Lit	-	144225 Lit
L	17000 FL	0 - 5431 FL	3067 - 5019 FL
NL	2100 hf1	694.30 hf1	396.13 - 456.71 hf1
GB	1046.93 £	550 £	354.75 - 425.62 £

(1) still table wine of 13° G.L. = 7,69231 hl for 1 hl p.a.

(2) for D, B, F, I, L and NL: 12°5 plato = 5.2° G.L. = 19.23 hl for 1 hl. p.a.

for DK: 10°5 plato = 4.5° G.L. = 22.22 hl for 1 hl p.a.

for Irl and GB: 9° to 10° plato = 3 to 4° G.L. = 25 to 33.33 hl for 1 hl p.a.

EXCISE DUTY RATES IN NATIONAL CURRENCY LEVIED AT THE DATE OF
3 JANUARY 1978 IN EACH MEMBER STATE ON SPIRITS, STILL TABLE WINES⁽¹⁾ AND
BEER⁽²⁾ (PER HL OF THE PRODUCT FOR WINE AND BEER RESP. PER HL PURE ALCOHOL FOR SPIRITS)

MS	spirits /hl. p.a.	wine ⁽¹⁾ / hl	beer ⁽²⁾ / hl
D	1950 DM	-	12 - 15 DM
B	30500 FB	1306 FB	219 - 345 FB
DK	25715 dKr	750 dKr	386.75 dKr
F	1630 - 5300 FF	9 FF	8 FF
Irl.	1007.92 £	50.57 £	14.51 - 16.45 £
I	106000 - 210000 Lit	-	7500 Lit
L	17000 FL	0 - 706 FL	159.50 - 261 FL
NL	2100 hfl	90.26 hfl	20.60 - 23.75 hfl
GB	1046.93 £	71.50 £	12.77 - 14.19 £

(1) rates are those applied on still table wine of 13° G.L.

(2) for D, B, F, I, L and NL: beer of 12° plato
for DK: beer of 10° plato
for Irl and GB: beer of 9 to 10° plato.

Total consumption of spirits, wine and beer in 1976 in the Member States*

1	2	3	4	5	6	7	8	9	10
Member State (pop. ϕ 1976)	spirits	% of	wine + beer	wine	%	% of	beer	% of	% of
	1000 hl p.a.	total	1000 hl	1000 hl	of 4	total		4	total
D (61832000)	1,749.84	30.1	107896.80	14592.3	13.52	11.1	93304.5	86.48	40.8
B (9758500)	190.29	3.26	14998.80	1532.1	10.21	1.17	13466.7	89.79	5.59
DK (5070000)	96.33	1.65	6652.40	635.3	9.55	0.48	6017.1	90.45	2.63
F (52920000)	1323	22.69	79358.70	53607.9	67.55	40.8	25750.8	32.45	11.26
IRL (3127000)	61.91	1.06	3987.80	141.6	3.55	0.11	3846.2	96.45	1.68
I (56190000)	1123.80	19.27	63831.80	56021.4	87.76	42.63	7810.4	12.24	3.42
L (356400)	14.61	0.25	624.70	161.4	25.84	0.12	463.3	74.16	0.20
NL (13770000)	342.87	5.88	13100.80	1561.5	11.92	1.19	11539.3	88.08	5.05
GB (55928000)	928.40	15.92	69652.70	3154.3	4.53	2.40	66498.4	95.47	29.08
Total	5831.07	100.0		131408.0		100.0	228696.8		100.0

*source of information : productschap voor gedistilleerde dranken, Schiedam / Holland, 1977.