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Sent: Thursday, May 31, 2007 5:03 PM
To: TAXUD EXCISE-TOBACCO
Subject: Consultation Paper about rates of excise duty tobacco

Dear Mr Frank Van Driessche:

I attached our comments like Spanish Association against Cancer about "Consultation Paper on the structure and rates of excise duty applied on cigarettes and other manufactured tobacco".



If is necessary more information, please contact with me by e-mail: ana.jareno@aecc.es
We would be grateful if you inform us about resolution when it has been presented.

Kind regards,

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Excise duties: Structure and tax rates applied on cigarettes and other manufactured tobacco

The European Commission has launched an on-line consultation to ascertain the views from interested parties on the review and possible changes to the structure and rates of excise duty applied on cigarettes and other manufactured tobacco. The consultation is relevant to businesses involved in the manufacturing and distribution of tobacco products, health organisations, government administrations, non governmental organisations, other organisations representing consumers, and other stakeholders.

The consultation is based on a [consultation document](#)  [de] [en] [fr] ([Annex](#)  [en]) which describes the problems and possible solutions identified by the Commission services.

The purpose of the consultation is to obtain feedback on excise problems in these areas and on options for changing the existing provisions in the Tobacco Excise Directives. The opinions and views expressed in response to this consultation will be taken into account in a proposal on this subject that the Commission will present at the end of 2007.

The consultation document should not be seen as reflecting the views of the Commission of the European Communities.

Interested parties are invited to submit their comments by **1 June 2007** at the latest.

Comments may be sent by letter, fax or electronic mail for the attention of Mr Frank Van Driessche

QUESTIONS POSED BY THE EUROPEAN COMMISSION ON THE STRUCTURE
AND RATES OF TAX APPLIED TO CIGARETTES AND OTHER
MANUFACTURED TOBACCO PRODUCTS

The European Commission has launched a consultation exercise targeting public administrations, health organisations, NGOs, companies involved in the production and distribution of tobacco products, and other organisations representing consumers, in order to review changes to the structure and rates of tax applied to cigarettes and other tobacco products.

The purpose of the consultation is to obtain feedback in order to eliminate existing problems in these areas and to see what scope there might be to change the existing precautions in the Tobacco Excise Directives. The consultation ends on 1 June 2007.

Opinions and views expressed in response to this consultation will be taken into consideration in the draft which the Commission will submit on this issue at the end of 2007.

The following questions have been posed:

Cigarette taxation:

- **The Commission is considering abolishing the use of the MPPC (the most popular or requested price for the brand) as a reference point for setting tax requirements. It requests our views on whether use of the MPPC should be abolished and minimum requirements applied to all types of cigarette – or whether to base minimum tax requirements on the average price of the product.**

We consider that the MPPC should be abolished as the basis for setting minimum duties. This is because it fluctuates greatly in each country, does not provide for clear rules to set the limit on duties, does not provide for a single price within the European Union, and distorts competition on tobacco prices. We believe that it would not constitute a clear step for the prevention of smoking, as is intended. Neither do we believe that the average market price is used, as it continues to be an over-complicated measure with little stability. We therefore agree that the MPPC should be abolished and minimum requirements applied to all types of cigarette.

- **Should EU Member States be given a large amount of flexibility to determine the structure of duties and to levy minimum duties on cigarettes?**

Generally, we consider that individual countries should not be allowed to set the minimum duties to be levied on tobacco: this would involve a huge variation in price between countries and an increase in international sales, contraband, etc.

- **Should the current minimum excise duties on cigarettes (€64/1 000 cig.) be increased, given that they only came into force in July 2006 and 10 new Member States have postponed entry into force, some of them until the end of 2009?**

They should not be increased: although duties have already increased in most EU Member States above the amount agreed (€64/1 000 cig.), in others, minimum excise duties have not been introduced (as is the case for Spain, which has until 2008 to comply with this amount). Consequently, duties should not be increased until 2010, when each country meets the requirement.

On the other hand, should the increase in the minimum ad valorem duty of 57% be in line with each country's internal market and with health objectives?

Yes: we believe that this would be the best step, as it would involve an increase in ad valorem duties which depended on consumer buying power (the level of the internal market in each country). This would avoid a disproportionate increase in tobacco prices in countries where these are already high.

Taxation of other tobacco products:

- **Should a structure similar to that used for taxing cigarettes be used for taxing fine-cut tobacco (for rolling)? If so, in what way?**

A similar structure should indeed be used, in that minimum duties (both specific and ad valorem) should be applied to tobacco intended for rolling, given that fine-cut tobacco is just as harmful as cigarettes to smokers' health.

- **How could the minimum rates for fine-cut tobacco be brought into line with the rate for cigarettes, taking account of the specific characteristics of fine-cut tobacco?**

One should take into account the fact that it is a less finished product than cigarettes, and take into account the quantity of tobacco used to roll cigarettes so that it can be compared with the minimum excise duty percentage which applies to cigarettes. In the light of these calculations, specific duties should be increased to €43 per kg (approximately 1 000 cigarettes).

- **Should minimum specific duties for tobacco products other than cigarettes be adjusted in line with increases in inflation?**

If minimum duties on other tobacco products (cigars, tobacco for rolling, other consumption) were adjusted in line with inflation increases in recent years, duties would be around 66% of the taxation on cigarettes. We consider that this would be a positive measure, although it should be seen as a gradual increase in rates.

- **How could the existing definition of cigars and smoking tobacco be amended in order to avoid abuse (corruption)?**

The content and characteristics of cigars should be clearly defined to avoid cigarettes being manufactured which are similar in appearance to cigars, such as

are already being sold in Germany (eco-cigars). These are aimed at reducing the payment of taxes.