Contribution ID: 6c45b5e1-8801-486a-b4bd-84165a2f8885

Date: 20/07/2018 14:56:30

Public consultation on excise duties applied to manufactured tobacco and the possible taxation of novel products

Fields marked with * are mandatory.

Background information

<u>Council Directive 2011/64/EU</u> sets out EU rules on the structure and rates of excise duty applied to manufactured tobacco. In particular, it defines and classifies various tobacco products according to their characteristics and lays down the relevant minimum rates and structure of excise duty. The purpose of the Directive is to ensure the proper functioning of the internal market and a high level of health protection.

This consultation is intended to gather the views of all interested stakeholders on the current tobacco taxation in the EU, as well as on novel products (e-cigarettes and heated tobacco products) and appropriate options for a possible revision of Directive 2011/64/EU.

The questionnaire takes about 30 minutes to complete. The questionnaire is accessible in all official EU languages.

The questionnaire is divided into 4 sections, namely:

- the first section asks for some background information about you, the respondent. This is in order to better understand your perspective;
- the second section covers the taxation of conventional tobacco products;
- the third section covers 'novel' tobacco products, in particular 'electronic cigarettes' and 'heated tobacco products';
- the final section gives the respondents the possibility to upload a position paper to better explain their choices and position.

The second and third sections include general questions as well as questions concerning technical aspects of the EU excise legislation that are more suitable for respondents who are familiar with the provisions and the functioning of Directive 2011/64.

Some of the questions are conditional on the type of respondent you represent, so you might not see all the questions and the numbering will be interrupted.

Personal data

DenmarkEstonia

*1 Please note: The European Commission will prepare a report summarizing the responses. Contributions received are thus intended for publication on the Commissions website (see specific privacy statement). Please indicate whether your reply:
Can be published, including your name or that of your organisation (I consent to publication of all
information in my contribution)
Can be published in an anonymous way (I consent to publication of all information in my contribution except my name/the name/Register ID of my organisation)
*2 Please select whether you participate to this consultation as:
Individual / private capacity
© Economic operator
Public administration
 Business organisation (e.g. a trade association) or advisory body (e.g. law firm, consultancy)
Non-government organization
Other (please specify)
*4 Please provide your name or the name of your organisation
Please note that you can only fill in the questionnaire if your name and contact details are provided. You can still opt for your answers to remain anonymous when results are published.
The Standing Committee of European Doctors (CPME)
*5 Is your organisation included in the Transparency Register? If your organisation is not registered, we invite you to register here , although it is not compulsory to be registered to reply to this consultation. Why a transparency register?
Yes
O No
6 If yes, please indicate your Register ID number
9276943405-41
9 In which country are you based?
Organisations operating in more than one country should indicate the location of their EU headquarters.
Individuals may choose to indicate the country of residence or the country of origin. Austria
Belgium
Bulgaria
Croatia
© Cyprus
Czech Republic

0	Finland
0	France
	Germany
	Greece
0	Hungary
	Ireland
0	/
	Latvia
	Lithuania
	Luxembourg
	Malta
	Netherlands
	Romania
	Slovak Republic
	-
	•
	Non-EU country (please specify)

Taxation of conventional tobacco products

12 Considering that taxes represent a large portion of the price of tobacco products, how do you rate the current levels of prices of the following products in your country?

	Much too high	Slightly too high	All right	Slightly too low	Much too low	Don't know
Cigarettes	0	0	0	0	•	0
Fine-cut tobacco for hand rolling	0	0	0	0	•	0
Cigars and cigarillos	0	0	0	0	•	0
Pipe tobacco	0	0	0	0	•	0
Water-pipe tobacco	0	0	0	0	•	0

13 Consumers may react to taxes by switching to less expensive products. To what extent are the following behaviours a problem in your country?

Major problem	Moderate problem	Minor problem	Not a problem	Don' t know	

Smokers replacing cigarettes with other less expensive tobacco products	•	0	0	0	0
Smokers purchasing less expensive (legal) cigarettes in other EU countries	•	0	0	0	0
Smokers purchasing less expensive illegal cigarettes on the black market	•	0	0	0	0

14 What should the main goals of the EU legislation be as regards the taxation of tobacco products?

Please rate the importance of the following possible goals from 'very high' to 'very low'.

	Very high	High	Intermediate	Low	Very low	Don' t know
Reduce the differences in tax levels between EU countries, so that price differences are also reduced	0	•	0	0	0	0
Ensure that tax regimes applied by EU countries to tobacco products do not distort competition between market operators	0	0	•	0	0	0
Ensure that tax regimes applied by EU countries to tobacco products sufficiently protect public health	•	0	0	0	0	0
Ensure stability and predictability in the tax receipts collected by EU countries	0	0	0	•	0	0
Establish rigorous and clear common rules to define and classify tobacco products subject to taxation	•	0	0	0	0	0
Help EU countries to curb illicit trade of tobacco and tax fraud	•	0	0	0	0	0
Reduce and simplify as much as possible the burden of the tax system on national authorities and market operators	0	0	•	0	0	0

15 If you think there are other relevant goals, please specify:

The overall aim of taxation policy should be to discourage young people in all EU member states from starting smoking and older people/adults from continuing to smoke, by making sure that cigarettes/tobacco products are expensive to buy, as we know that smoking is harmful to health.

The following questions concern technical aspects of Directive 2011/64/EU. Respondents not familiar with the subject may wish to skip to the next section

- 16 The EU minimum rates on cigarettes consist of two requirements:
- a) The fixed minimum amount: EU countries should levy an excise duty of at least EUR 90 per 1000 cigarettes.
- b) A relative minimum: the excise duty level in EU countries should be no less than 60% of the weighted average price of cigarettes. This requirement can be derogated if EU countries levy more than EUR 115 per 1000 cigarettes.

In 2017, the EU average excise duty level was approximately EUR 146 per 1000 cigarettes, while the average proportion between excise duty and weighted average price across EU countries was approximately 62%.

Against this background, is there a need in your opinion to revise the EU minimum rates?

	Major increase needed	Moderate increase needed	No change needed	This provision should be removed	Don' t know
Fixed minimum amount (EUR 90 per 1000 cigarettes)	•	0	0	0	0
Relative minimum (60% of weighted average price).	•	0	0	0	0
Threshold for derogation to relative minimum (EUR 115 per 1000 cigarettes)	•	0	0	0	0

17 Please add any relevant comment:

We know that significant increases in taxation on tobacco products are an effective and certain way of preventing young people from starting smoking and reducing the numbers of adults smoking.

18 Please express your agreement with the following implementation measures for the revision of minimum rates.

	Disagree	Partly disagree	Neutral	Partly agree	Agree	Don' t know
The minimum rates should be increased gradually in order to allow stakeholders to adapt and avoid excessive disruptions.	•	0	•	0	0	•
It is necessary to allow a transitional period for EU countries that are currently well below the proposed new thresholds.	•	0	0	0	0	0

Minimum rates should be increased						
rapidly, in order to maximize the	0	0	0	0	•	0
impact on reducing demand.						

19 An increase in taxation of cigarettes may have various impacts. Please indicate the likelihood of the following in your country.

	Very likely	Likely	Neutral	Unlikely	Very unlikely	Don' t know
Greater reduction of smoking prevalence	•	0	0	0	0	0
Increased substitution of more expensive tobacco products with cheaper ones	0	•	0	0	0	0
Increased substitution of conventional tobacco products with e-cigarettes and/or heated tobacco products	0	0	•	0	0	0
Increased purchasing of legal cigarettes from other cheaper EU countries	•	0	0	0	0	0
Increased purchasing of illegal tobacco products	•	0	0	0	0	0
Negative economic effects in the tobacco value-chain (employment, income etc.)	0	0	0	•	0	0
Increased tax revenue for the government	•	0	0	0	0	0

20 Assuming that the EU minimum rates on cigarettes are increased, how much should the EU minimum rates on other tobacco products be increased?

Please indicate whether the revision should lead to maintaining, reducing or increasing the current 'tax gap' between cigarettes and the other products.

	The current tax gap with cigarettes should reduce significantly	The current tax gap with cigarettes should reduce moderately	The current tax gap with cigarettes should be maintained	The current tax gap with cigarettes should increase	Don' t know
Fine cut tobacco	•	0	0	0	0
Cigars and cigarillos	•	0	0	0	0

Other smoking tobacco (e.g. pipe and water- pipe tobacco)	•	•	•	•
---	---	---	---	---

21 The EU rules require that cigarettes are taxed according to a 'mixed structure' including a 'specific component' (i.e. a fixed monetary amount) and an 'ad valorem component' (i.e. a percentage of the retail selling price). Furthermore, the specific component cannot be more than 76.5% of the total tax burden on cigarettes (inclusive of VAT) and less than 7.5%.

Is there a need to revise these rules?

- The current thresholds of the specific component of the mixed structure should be revised
- The mixed structure rules are not effective and/or useful, so they should be removed
- No revision of current rules is needed
- Don't know

24 The EU rules give EU countries the option to levy a 'minimum excise duty' (MED) on tobacco products that essentially consists of a tax 'floor' that prevents taxes falling below a certain level. For cigarettes only, the minimum excise duty (MED) should also comply with the 'mixed structure' requirements.

Please, express your agreement with the following possible options to reform the minimum excise duty (MED).

	Disagree	Partly disagree	Neutral	Partly agree	Agree	Don' t know
There is a need to establish a 'cap' on the minimum excise duty so that it can be applied only to a minority of products on the market and never to the majority of them.	•	•	0	0	•	•
The obligation for the minimum excise duty on cigarettes to comply with the 'mixed structure' should be removed.	•	•	•	0	0	•
The minimum excise duty rules should explicitly allow 'regressive' mechanisms i.e. where cheaper products may be subject to a relatively higher amount of minimum excise duty	•	•	0	•	•	•

25 The EU excise legislation defines the different categories of excisable tobacco products, with a view to ensure that similar products are classified and treated in the same way across the EU, thus ensuring neutral conditions of competition. For this purpose, definition and classification rules need to be clear and

robust so as to avoid legal uncertainties, tax circumvention and abuse.

Please, indicate whether the provisions below have ever caused specific problems in your country and rate the severity of the problem.

	Not a problem	Minor problem	Moderate problem	Major problem	Don't know
Art 5(1)a on 'smoking tobacco' and the clarity of the provision: "capable of being smoked without further industrial processing"	0	0	0	0	•
Art 5(1)b on 'smoking tobacco' and the clarity of the provision: "tobacco refuse put up for retail sale"	0	0	0	0	•
The definition of 'cigars and cigarillos' laid down in Art 4.1 and the misalignment with the corresponding customs definition of the Combined Nomenclature	0	0	0	0	•
The lack of a specific definition and separate tax category for 'water-pipe tobacco' in the Directive	0	0	0	0	•
The absence of a clear definition of 'smoke' and 'smoking'	0	0	0	0	•

26 Please indicate whether there is a need to revise the corresponding provisions in the Directive 2011 /64.

	Need for regulatory change at EU-level	No need for regulatory change at EU-level	Don't know
Art 5(1)a on 'smoking tobacco' and the clarity of the provision: "capable of being smoked without further industrial processing"	0	0	•
Art 5(1)b on 'smoking tobacco' and the clarity of the provision: "tobacco refuse put up for retail sale"	0	0	•
The definition of 'cigars and cigarillos' laid down in Art 4.1 and the misalignment with the corresponding customs definition of the Combined Nomenclature	0	0	•
The lack of a specific definition and separate tax category for 'water-pipe tobacco' in the Directive	0	0	•
The absence of a clear definition of 'smoke' and 'smoking'	0	0	•

27	Please and comments or indicate other problematic definitions or provisions of the EU excise	s of the EU excise	
egis	slation		

Taxation of electronic cigarettes and heated tobacco products

Note: In this section, any reference to the taxation of electronic cigarettes and heated tobacco products always refers to the consumable parts (i.e. refill containers, sticks and capsules etc.) and never to the hardware (i.e. electronic device) component.

29 EU countries have adopted different approaches towards the taxation of e-cigarettes.

Please express your agreement with the following arguments in favour or against the taxation of these products.

	Disagree	Partly disagree	Neutral	Partly agree	Agree	Don' t know
E-cigarettes are much less harmful than conventional tobacco products	•	0	0	0	0	0
E-cigarettes may represent a gateway to nicotine addiction for non-smokers	0	0	0	0	•	0
E-cigarettes may support smoking cessation	0	•	0	0	0	0
E-cigarettes are essentially a substitute product of conventional cigarettes so they should be treated consistently to ensure fair competition	0	0	0	0	•	0
E-cigarettes are not tobacco products so they should not be subject to tobacco excise legislation	•	0	0	0	0	0
The consumers' substitution of cigarettes with e-cigarettes may cause undue tax revenue losses that should be avoided	•	0	0	0	0	0
E-cigarettes products can be easily produced and moved illicitly, so the enforcement of taxation and control against frauds would be difficult and expensive	•	0	0	0	0	0

There is a need to harmonise the taxation of e-cigarettes at EU-level to avoid that national taxes become an obstacle to the functioning of the EU market	©	©	©	©	•	•
There is insufficient data and information on the e-cigarettes market to properly design a tax regime	•	•	0	0	0	0

30 Plea	ase add any relevai	nt comment:		

31 EU countries have adopted different approaches towards the taxation of **heated tobacco products**. Please express your agreement with the following arguments concerning the most appropriate taxation of these products.

	Disagree	Partly disagree	Neutral	Partly agree	Agree	Don' t know
Heated tobacco is much less harmful than conventional tobacco smoking	•	0	0	0	0	0
Heated tobacco may represent a gateway to nicotine addiction for non-smokers	0	0	0	0	•	0
Heated tobacco is essentially a substitute product for conventional cigarettes so it should be treated consistently to ensure fair competition	0	0	0	0	•	0
Heated tobacco may support smoking cessation	•	0	0	0	0	0
The consumers' substitution of cigarettes with heated tobacco products may cause undue tax revenue losses that should be avoided	•	0	0	0	0	0
Heated tobacco is essentially a different product from smoking tobacco so it cannot be comprised under any of the existing tax categories	•	•	0	•	0	0
There is a need to explicitly harmonise the taxation of heated tobacco at EU-level to avoid diverging national approaches becoming an	0	0	•	0	•	0

obstacle to the functioning of the EU market						
There is insufficient data and information on the heated tobacco market to properly design a tax regime	•	•	0	0	0	0

32 Please add any relevant comment:						

33 What would the optimal ratio between tax and retail price of novel products be?

Note: this question does $\underline{\text{not}}$ necessarily imply a hypothetical tax proportional to selling price, the effects of $\underline{\text{any type}}$ of tax are considered here.

	Only VAT	Between 1% and 9% of retail price, plus VAT	Between 10% and 29% of retail price, plus VAT	Between 30% and 49% of retail price, plus VAT	Don' t know
E- cigarettes products	0	•	0	•	0
Heated tobacco products	0	•	0	•	0

The following questions concern technical aspects of the taxation of novel products. Respondents not familiar with the subject may skip to the end of the questionnaire.

34 Which measures should a hypothetical EU-level tax regime for e-cigarettes contain?

Please, select from the following options the measures that you might be in favour of or against (multiple answers are possible)

	In favour	Against	Don't know
To adopt a common fiscal definition and category for e-cigarettes in EU excise legislation	•	0	0
To establish a EU minimum excise duty rate for e-cigarettes	•	0	0
To set the tax as a fixed amount per volume of products (e.g. millilitres of liquid for e-cigarettes)	0	0	•
To set the tax in proportion to the actual content of nicotine	0	0	•
To envisage simplified regimes and exemptions for SMEs in this sector	©	•	0
To envisage a transitional period to allow operators to adapt before taxation is introduced	0	•	0

35 If a EU-level tax regime for e-cigarettes is introduced, what is the risk of the following consequences in your country?

	High risk	Moderate risk	Low risk	Negligible / no risk	Don' t know
A massive switch by consumers to 'do-it-yourself' products	0	•	0	0	0
A massive switch by consumers to illicit non-taxed products	0	0	•	0	0
SMEs significantly penalised against big players	0	0	0	0	•
A massive return of consumers to conventional tobacco products	0	0	•	0	0

36 Which measures should an EU-level harmonised tax regime for heated tobacco products contain?

Please, select from the following options the measures that you might be in favour of or against (multiple answers are possible)

	In favour	Against	Don't know
To adopt a common fiscal definition and category for heated tobacco products in EU excise legislation	•	0	0
The introduction of a clear definition of 'heating'	•	0	0
To establish a dedicated EU minimum excise duty rate	•	0	0
To envisage a transitional period to allow operators to adapt before taxation is introduced	0	•	0

Final remarks

37 Should you wish to provide additional information (for example a position paper) or raise specific points not covered by the questionnaire, you can upload your additional document here. The maximum file size is 1MB.

Please note that the uploaded document will be published alongside your response to the questionnaire which is the essential input to this open public consultation. The document is an optional complement and serves as additional background reading to better understand your position.

Contact

TAXUD-UNIT-C2@ec.europa.eu