

Excise duty: provisional agreement on modernised taxation rules for alcohol



The EU is modernising the way alcohol products are taxed to reduce existing distortions in the single market.

Member states' ambassadors to the EU today provisionally endorsed, subject to further confirmation by the Council, to update excise duty rules on alcohol within the EU. Essentially, the updated rules on structures of excise duty are in particular expected to improve the business environment and reduce costs for small alcohol producers, while taking into account considerations related to health and efficient tax collection.

Our common EU framework on how to tax alcohol is crucial to ensure that we all play by the same rules. However, over the past 30 years, the way we produce and consume alcohol has considerably evolved. Today, we are updating our rules to better reflect the latest developments in the alcohol industry.

Zdravko Maric, Deputy Prime Minister and Minister of finance of Croatia

Excise duties are indirect taxes on the sale or use of specific products, such as alcohol, tobacco and energy. The revenue from these taxes goes entirely to the country to which they are paid. Since 1992, EU countries have had in place common rules, in particular minimum excise duty rates, to make sure that excise duties are applied in the same way and to the same products everywhere in the EU.

The reform includes the following changes:

- increasing the threshold for lower strength beer that can benefit from reduced rates from 2,8% volume to 3,5% volume. This change provides incentives for consumer to choose low-strength alcoholic drinks over stronger ones, thereby reducing alcohol intake. It also encourages brewers to be innovative and create new products of lower alcoholic strength.
- extending the special regime of reduced excise duty rates for small beer and ethyl alcohol producers to producers of other fermented beverages, such as cider.
- putting in place a common certification system in the EU for confirming the status of independent small producers, recognisable in all EU countries.
- clarifying the conditions for application of the exemption from excise duty rules for denatured alcohol, used for example in cleaning products.

The new rules will be formally adopted by the Council after the legal and

linguistic finalisation of the Directive and national legislation transposing this Directive will apply from 1 January 2022.