



**SILESIA
UNIVERSITY**

SCHOOL OF BUSINESS
ADMINISTRATION IN KARVINA

INDIRECT TAXES

EXCISE DUTIES AND ENERGY TAXES

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OUTLINE OF THE LECTURE

1. EXCISE DUTIES
2. EXCISE DUTIES IN OECD
3. EXCISE DUTIES IN EU
4. ENERGY TAXES

EXCISE DUTIES

- Excise duties or taxes often serve political as well as financial goals. Public safety and health, public morals, environmental protection, and national defense are all rationales for the imposition of an excise.
- Public safety and health
 - deter individuals from harming their health by abusing substances such as tobacco and alcohol, thus making excise a kind of sumptuary tax,
 - or deter them from engaging in morally objectionable activities such as gambling and prostitution (including solicitation and pimping) – thus making it a type of vice tax or sin tax
- Environmental protection
 - deter individuals or organizations from harming the general environment, including curbing activities which contribute to pollution, or which harm the natural environment.

TARGETS OF TAXATION

- Tobacco, alcohol and gasoline
- These are the three main targets of excise taxation in most countries around the world. They are everyday items of mass usage which bring significant revenue for governments.
- The first two are considered to be legal drugs, which are a cause of many illnesses, which are used by large swathes of the population, both being widely recognized as addictive.
- Gasoline (or petrol), as well as diesel and other fuels, meanwhile, despite being indispensable to modern life, have excise tax imposed on them mainly because they pollute the environment and to raise funds to support the transportation infrastructure.

OTHER TYPES

- **Salt, paper and coffee**
- Excise (often under different names, especially before the 15th century, usually consisting of several separate laws, each referring to the individual item being taxed) has been known to be applied to substances which would in today's world seem rather unusual, such as salt, paper, and coffee. In fact, salt was taxed as early as the second century, and as late as the twentieth.
- Many different reasons have been given for the taxation of such substances, but have usually – if not explicitly – revolved around the scarcity and high value of the substance, with governments clearly feeling entitled to a share of the profits traders make on these expensive items. Such would be the justification of salt tax, paper excise, and even advertisement duty have been.

EXCISE DUTIES CALCULATION

- Excise taxes are commonly included in the price of a product, such as cigarettes or alcohol, as well as in the price of an activity, often gambling. Excise taxes may be imposed by both Federal and state authorities.
- Excise taxes usually fall into one of two types:
 - Ad Valorem; meaning that a fixed percentage is charged on a particular good or product. This administration of the tax is less common.
 - Specific (ad quantum); meaning that a fixed currency amount may be imposed depending on the quantity of the goods or products that are purchased. Specific is the most common type.

EXCISE DUTIES IN OECD

- Unlike general consumption taxes, excise taxes are levied on specific products or transactions, and normally only once early in the value chain. They have a long history that can be traced back to Ancient Egypt, where a tax on cooking oil was levied.
- In modern times, they have commonly been levied on, among other things, alcohol and tobacco products.
- Traditionally, excise taxes are levied by quantity, weight, volume, or potency (specific), but some countries include price-based elements (ad valorem) in their excise tax design.
- Specific tax design may be preferable as they generally deliver a more stable revenue return for governments as price developments do not affect revenue generation.
- Choice of tax base may also affect product availability: a price-based tax could encourage manufacturers to make cheaper products to limit liability, whereas a specific tax may favor premium and more expensive products.

EXCISE DUTIES IN OECD

- All OECD countries levy excise taxes on transport fuels and on alcohol and tobacco products.
- Excise **taxes on transport fuels** are relatively uniform in design across countries, although magnitudes vary significantly. Separate excise taxes are generally applied to different fuel based on technical specifications such as unleaded petrol, diesel, and LPG. All OECD countries apply an ad quantum excise tax to petrol for road use (based on the quantity of petrol used, generally measured in litres) and all countries (except New Zealand where a road user charge scheme exist) apply an ad quantum excise tax to diesel for road use. Most countries also imposed an ad quantum tax on LPG for road use. Chile and Mexico apply price stabilization mechanism that can reduce (or even make negative) the effective tax rate applying to petrol and diesel in some years. In some countries, the tax rate on petrol vary depending on sulphur content or octane rating). Biofuels are often taxed at lower rates, or are even untaxed.

Excise Tax Rates on Premium Gasoline by Country Nominal Rates

Country	Tax per Liter of Gasoline (2015 USD)	Total Tax as Percentage of Total Price (2015)	Tax per Liter of Gasoline (2019 USD)	Total Tax as Percentage of Total Price (2019)
Australia	0.295	37.8	0.290	35.9
Austria	0.535	59.8	0.540	56.0
Belgium	0.687	59.2	0.672	58.1
Canada	0.264	36.7	0.191	32.0
Chile	0.484	53.4	0.449	48.9
Colombia	NA	NA	0.126	22.0
Czech Republic	0.522	60.5	0.560	57.9
Denmark	0.615	61.4	0.701	59.3
Estonia	0.469	57.1	0.630	63.9
Finland	0.756	67.9	0.787	65.4
France	0.693	65.6	0.774	62.5
Germany	0.727	65.3	0.733	61.3
Greece	0.744	66.8	0.784	63.7
Hungary	0.430	57.2	0.422	53.3
Iceland	0.530	54.1	0.671	59.7
Ireland	0.653	63.8	0.663	62.3
Israel	0.786	65.4	0.863	64.3
Italy	0.808	67.9	0.816	64.3
Japan	0.465	50.5	0.519	47.0
Korea	0.691	51.8	0.640	50.8
Latvia	0.457	56.9	0.570	57.0
Lithuania	NA	NA	0.486	55.1
Luxembourg	0.513	57.7	0.529	51.4
Mexico	0	13.8	0	13.8
Netherlands	0.859	69.3	0.882	64.9
New Zealand	0.468	46.9	0.496	46.4
Norway	0.722	63.3	0.731	60.7
Poland	0.443	56.9	0.436	52.1
Portugal	0.686	64.0	0.720	61.8
Slovak Republic	0.572	58.4	0.576	55.9
Slovenia	0.605	63.8	0.599	60.1
Spain	0.513	57.2	0.530	53.8
Sweden	0.661	64.8	0.695	61.8
Switzerland	0.764	58.5	0.759	54.5
Turkey	0.799	65.3	0.419	50.0
United Kingdom	0.887	71.0	0.739	63.1
United States	0.143	22.5	0.121	18.6

EXCISE DUTIES ON ALCOHOL IN OECD

- Excise taxes on alcohol and tobacco products are often more complicated in their design than taxes on transport fuels.
- Excise taxes are generally applied separately to beer, wine, and spirits. In general both ad quantum and ad valorem excise taxes are applied to alcohol. Per volume unit of product ad quantum rates are often also graduated based on alcohol content.
- **Beer** produced by small brewers is often subject to a reduced excise tax rate.
- **Wine** is most commonly subject to just an ad quantum excise tax, though a similar number of countries apply no excise tax at all, while a small number of countries apply an ad valorem tax instead. Different rates are often applied to still, sparkling, and low-alcohol wine.
- **Spirits** are subject to an ad quantum excise tax (per volume unit of pure alcohol) in almost all countries, with the remainder imposing an ad valorem tax. In a few countries the ad quantum rate can vary based on the alcohol content. Several countries also apply a reduced rate for spirits produced by small distilleries.

Beer Excise Tax Rates by Country

Nominal Rates

Country	Tax per Hectoliter, (2012 USD)	Tax per Hectoliter, (2020 USD)
Australia	NA	NA
Austria	5.88	5.62
Belgium	4.94	5.63
Canada	25.39	NA
Chile	NA	NA
Colombia	NA	NA
Czech Republic	2.30	3.49
Denmark	6.51	7.31
Estonia	10.21	14.27
Finland	31.60	41.01
France	3.17	8.42
Germany	2.47	2.21
Greece	9.19	14.04
Hungary (a)	11.32	5.57
Iceland	NA	NA
Ireland	18.76	25.34
Israel	58.79	66.01
Italy	7.36	8.40
Japan	NA	NA
Korea	NA	NA
Latvia	NA	NA
Lithuania	NA	NA
Luxembourg	2.12	2.22
Mexico	NA	NA
Netherlands	NA	NA
New Zealand	17.86	19.11
Norway	NA	NA
Poland (a)	10.39	5.58
Portugal	NA	NA
Slovak Republic	6.90	4.03
Slovenia	15.87	13.60
Spain	NA	NA
Sweden	18.62	21.35
Switzerland	NA	NA
Turkey	NA	3.59
United Kingdom	28.17	24.46
United States	NA	NA

Wine Excise Tax Rates by Country

Nominal Rates

Country	Still Wine, Tax per Hectoliter, (2012) USD	Still Wine, Tax per Hectoliter, (2020) USD	Sparkling Wine, Tax per Hectoliter, (2012) USD	Sparkling Wine, Tax per Hectoliter, (2020) USD	Low-alcohol Wine, Tax per Hectoliter, (2012) USD	Low-alcohol Wine, Tax per Hectoliter, (2020) USD
Australia	NA	NA	NA	NA	NA	NA
Austria	0	0	0	112.36	0	0
Belgium	54.39	84.17	186.06	288	17.17	26.87
Canada	50.43	49.10	50.43	49.10	NA	NA
Chile	NA	NA	NA	NA	NA	NA
Colombia	NA	NA	NA	NA	NA	NA
Czech Republic	0	0	168.11	100.04	0	0
Denmark	78.57	168.82	117.73	219.04	49.91	77.66
Estonia	137.43	166.09	137.43	166.09	59.59	71.18
Finland	329.71	446.07	329.71	446.07	NA	NA
France	4.15	4.29	10.28	10.60	4.15	4.29
Germany	0	0	170.40	152.81	0	0
Greece	0	0	0	0	0	0
Hungary	0	0	115.17	56.63	0	0
Iceland	NA	NA	NA	NA	NA	NA
Ireland	313.22	477.35	626.43	954.70	104.38	159.07
Israel	0	0	NA	NA	0	0
Italy	0	0	0	0	0	0
Japan	74.85	73.33	74.85	73.33	74.85	73.33
Korea	NA	NA	NA	NA	NA	NA
Latvia	NA	113.48	NA	113.48	NA	NA
Lithuania	NA	185.02	NA	185.02	NA	73.55
Luxembourg	0	0	0	0	0	0
Mexico	NA	NA	NA	NA	NA	NA
Netherlands	84.80	99.21	289.12	99.21	42.40	49.71
New Zealand	NA	191.14	NA	191.14	NA	191.14
Norway	546.22	696.82	546.22	696.82	546.22	NA
Poland (a)	84.28	45.31	84.28	45.31	84.28	45.31
Portugal	0	0	0	0	0	0
Slovak Republic	0	0	153.33	89.49	0	0
Slovenia	0	0	0	0	0	0
Spain	0	0	0	0	0	0
Sweden	242.09	NA	242.09	NA	0	NA
Switzerland	0	0	0	0	0	0
Turkey	NA	177.27	NA	1197.66	NA	117.04
United Kingdom	365.96	370.06	468.75	474	112.75	114.01
United States	47	37	115	110	NA	NA

Spirits Excise Tax Rates by Country

Nominal Rates

Country	Tax per Hectoliter of Absolute Alcohol (2012 USD)	Tax per Hectoliter of Absolute Alcohol (2020 USD)
Australia	4437.62	5628.47
Austria	1176.96	1348.32
Belgium	2023.29	3362.69
Canada	951.35	930.45
Chile	NA	NA
Colombia	NA	NA
Czech Republic	2047.45	1406.45
Denmark	1919.56	2248.88
Estonia	2665.42	2113.48
Finland	4586.37	5483.15
France	1914.72	1975.89
Germany	1632.62	1464.05
Greece	3462.62	2752.81
Hungary (a)	2231.86	1146.99
Iceland	7766.22	12633.55
Ireland	3718.14	4783.15
Israel	NA	2401.97
Italy	1002.00	1160.14
Japan	NA	NA
Korea	NA	NA
Latvia	NA	1757.30
Lithuania	NA	2058.43
Luxembourg	1116.06	1169.83
Mexico	NA	NA
Netherlands	1807.45	1894.38
New Zealand	NA	NA
Norway	6983.59	8909.09
Poland (a)	2645.79	1634.12
Portugal	1755.01	1558.35
Slovak Republic	2078.73	1213.48
Slovenia	1587.41	1483.15
Spain	1169.48	1077.46
Sweden	5625.03	5451.27
Switzerland	1938.13	2929.29
Turkey (b)	6337.68	4925.75
United Kingdom	3871.49	3684.62
United States	974	909

EXCISE DUTIES IN OECD

- **Tobacco products**
- Excise taxes are generally applied separately to cigarettes, cigar and loose/roll tobacco.
- Most countries impose both ad valorem and ad quantum (generally per cigarette or pack of 20 cigarettes) excise taxes on cigarettes. In some cases, per cigarette ad quantum tax rates are graduated based on tobacco content.
- In contrast, countries tend to impose either an ad valorem or an ad quantum excise tax on cigars, with only a few countries apply both. Ad quantum taxes on cigars are generally based on the weight of tobacco in the cigar.
- The approach taken with loose/roll tobacco varies considerably – with some countries only imposing an ad quantum excise tax (based on tobacco content), some only imposing an ad valorem tax, and others imposing both.

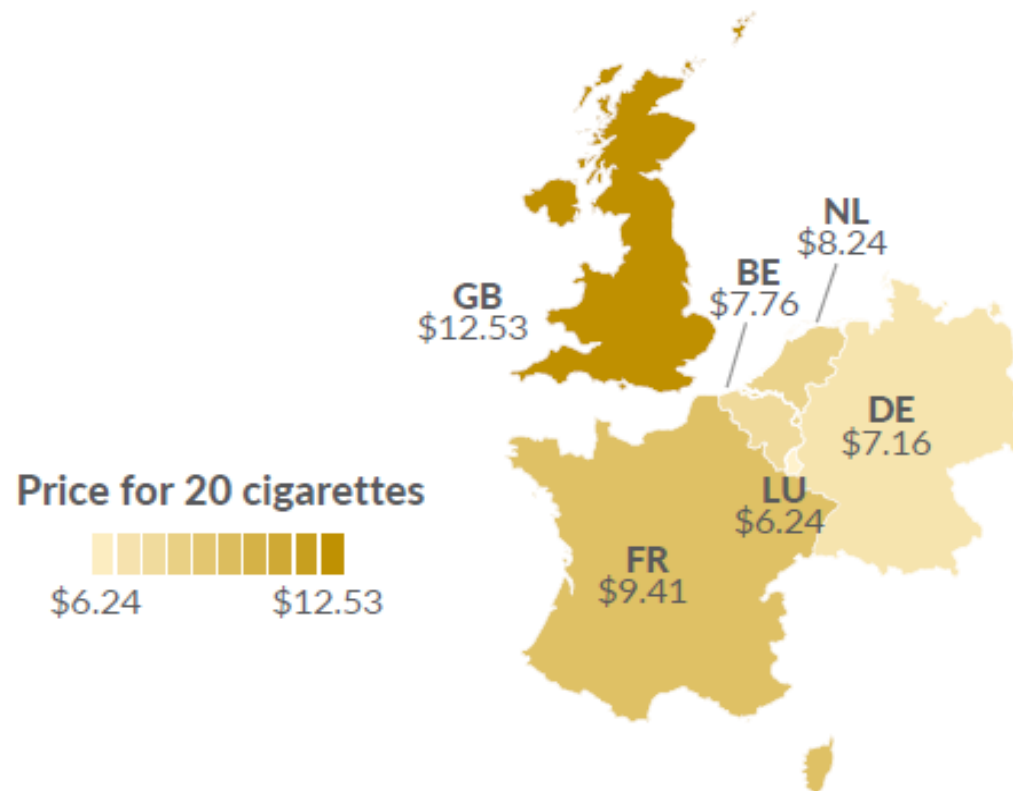
Cigarette Excise Tax Rates by Country

Nominal Rates per 1,000 cigarettes and of Retail Sales Price (RSP)

Country	Specific Excise Tax per 1,000 cigarettes (2012 USD)	Ad valorem Tax of RSP (2012)	Specific Excise Tax per 1,000 Cigarettes (2020 USD)	Ad Valorem Tax of RSP (2020)	Total Tax as Percentage of RSP (2018)
Australia	221.20	0	650.37	0	77.52
Austria	41.19	42	65.17	37.5	75.26
Belgium	18.39	52.41	72.58	40.04	76.98
Canada	69.14	NA	91.65	0	64.05
Chile	NA	62.30	65.90	30	82.36
Colombia	NA	NA	37.03	10	78.43
Czech Republic	80.46	28	70.21	30	82.69
Denmark	81.47	13.61	260.55	1	74.15
Estonia	79.29	34.72	92.078	30	79.38
Finland	23.78	52	78.37	52	87.41
France	31.90	64.25	69.66	52.7	82.45
Germany	116.03	21.87	110.34	21.69	69.92
Greece	27.79	52.45	92.70	26	81.22
Hungary	81.22	28.40	70.53	23	72.28
Iceland	132.78	36.50	210.40	0	55.49
Ireland	229.85	18.03	388.81	9.04	78.40
Israel	60.68	NA	112.62	NA	79.10
Italy	11.37	58.50	21.75	59.1	76.04
Japan	114.56	0	121.49	0	63.06
Korea	38.95	0	125.03	64.76	73.85
Latvia	NA	NA	88.43	20	79.99
Lithuania	NA	NA	69.94	25	73.83
Luxembourg	18.11	47.84	21.22	46.65	68.31
Mexico	0	53.05	25.67	39.07	68.55
Netherlands	163.03	8.59	246.35	5	71.81
New Zealand	NA	NA	NA	0	82.21
Norway	240.06	0	304.55	0	63.97
Poland	91.20	31.41	59.40	32.05	76.79
Portugal	124.03	20	108	15	71.66
Slovak Republic	111.64	23	72.02	23	76.90
Slovenia	33.57	45.31	82.74	21.88	79.19
Spain	17.89	57	27.75	51	78.24
Sweden	142.47	1	169.13	1	68.38
Switzerland	76.82	25	119.52	25	60.27
Turkey	127.23	63	85.56	67	81.37
United Kingdom	235.07	16.50	292.68	16.5	79.39
United States	129	NA	141	NA	39.47

Large Differences in Cigarette Prices Result in Increased Smuggling

Price for a pack of 20 cigarettes in USD in 2018



Source: OECD, *Consumption Tax Trends 2020: VAT/GST and Excise Rates, Trends and Policy Issues* (Paris: OECD Publishing, 2020), <https://doi.org/10.1787/152def2d-en>.

EXCISE DUTIES IN OECD

- **Vapor products and Heated Tobacco Products**
- One of the growing trends in excise taxes across the OECD is taxation of vapor products (also known as electronic cigarettes).
- Taxation of these products is still relatively new and design varies widely across OECD countries.
- **Europe**
- While most member states tax heated tobacco specifically, several states simply apply existing tobacco products taxes to the product. That has resulted in a variety of bases and rates, including price-based (ad valorem) taxation and high rates.
- Norway and Turkey, which are not members of the EU, do not allow import or sale of novel tobacco products. In Switzerland, heated tobacco is taxed at 12 percent of value and vapor products do not yet carry a tax.³⁵ In Israel, heated tobacco is taxed at 86 percent of value, equal to cigarettes. In Iceland, vapor products are taxed at 0.9 percent of retail value.

EU Member States' Excise Tax on Vapor Products

Local Currency and U.S. Dollars as of July 1, 2020

Member State	Tax per Milliliter	Additional Base	Tax in \$ per Milliliter
Cyprus	€0.12	-	\$0.13
Denmark	DKK 2.00	-	\$0.30
Estonia	€0.20	-	\$0.22
Finland	€0.30	-	\$0.34
Greece	€0.10	-	\$0.11
Hungary	HUF 55.00	-	\$0.18
Italy	€0.08	€0.04 for liquid without nicotine	\$0.09
Latvia	€0.01	plus €0.005 per mg of nicotine	\$0.01
Lithuania	€0.12	plus €0.05 per mg of nicotine	\$0.13
Poland	PLN 0.50	-	\$0.13
Portugal	€0.30	-	\$0.34
Romania	RON 0.50	-	\$0.12
Slovenia	€0.18	-	\$0.20
Sweden	SEK2.00	-	\$0.21

Note: Member states not mentioned do not have a specific tax category or rate for vapor products. VAT is not included above.

Source: European Commission, World Bank, and Vaporproductstax.com.

EXCISE DUTIES IN OECD

- **Vapor products and Heated Tobacco Products**
- **Americas**
- Currently, the U.S. states and federal government define vapor products and heated tobacco in different ways, which affects how the tax is imposed. In some states, vapor products are defined as tobacco products and, in others, they have their own definition. The U.S. federal government does not impose a tax on vapor products. Heated tobacco is commonly taxed as cigarettes (only Virginia has a separate definition).
- Several provinces in Canada levy a vapor tax. In British Columbia, Alberta, and Newfoundland and Labrador the tax is 20 percent of retail price. The Canadian federal government does not impose a tax on vapor products.

Heated Tobacco Excise Tax Rates in Asia and Oceania

As of July 1, 2020

Country	Excise Tax Rate (USD)	Additional Taxes	Category
Australia	Banned	Banned	Banned
Japan	159 per kilogram	30 percent of retail price before VAT	Heat-not-burn
New Zealand	Banned	Banned	Banned
South Korea	0.081 per gram	Education tax: \$0.034 per gram	Inhaling tobacco products using electronic devices

Source: Vaporproductstax.com; "International Tobacco Control (ITC) Survey"; Japan Customs.

EXCISE DUTIES IN OECD

- **Recreational Marijuana**
- Another developing tax issue across the OECD is marijuana taxes. So far, 15 states in the U.S., Canada, and the Netherlands allow (or tolerate) sale and consumption of recreational marijuana. Moreover, several nations are considering legalizing: New Zealand recently voted against a ballot measure to legalize, and Mexico's and Israel's legislatures are moving legislation which would legalize.
- Additionally, several other OECD members have decriminalized possession. In the Netherlands, excise taxes are not levied as the product is technically illegal. However, general taxes are imposed on marijuana businesses (coffee shops). In the U.S., excise taxes on recreational marijuana are, so far, in a developmental stage. Most states in the U.S. impose price-based taxes as they are considered simpler.

EXCISE DUTIES IN EU

- Excise duties are indirect taxes on the sale or use of specific products. They are usually applied as an amount per quantity of the product e.g. per kg / per hl /per degree alcohol / per 1000 pieces etc.
- All revenue from excise duties goes entirely to the Member States.
- EU legislation on excise duties was largely prompted by the launch of the Single Market in 1993. As tax controls at the borders between Member States were abolished, common rules were needed to facilitate cross-border trade in certain products and to prevent competitive distortions.
- Therefore, EU legislation was adopted to ensure that excise duties for certain products were applied in the same way, and to the same products throughout the Single Market, and that Member States applied (at least) a minimum rate of excise duty.

EXCISE DUTIES IN EU

- In the EU, Member States must apply excise duties to:
 - Alcohol
 - Tobacco
 - Energy
- EU legislation on excise duties includes:
 - Definition of product categories and how the tax should be applied to them
 - Minimum rates that must be applied
 - Scope for possible exemptions
 - General rules for producing, storing and moving these goods around the EU

EXCISE DUTIES ON ALCOHOL IN EU

Excise duties on alcoholic beverages

Excise duties on alcohol are regulated through two main pieces of EU legislation.

i) The [Directive 92/83/EEC](#) on excise on duties sets out:

- The structures of excise duties on alcohol and alcoholic beverages
- The categories of alcohol and alcoholic beverages subject to excise duty
- The basis on which the excise duty is calculated

ii) Directive 92/84/EEC sets out minimum rates that must be applied to each category of alcoholic beverage as well as reduced rates for certain Greek, Italian and Portuguese regions.

EU legislation only sets harmonised minimum rates.

This means that EU countries are free to apply excise duty rates above these minima, according to their own national needs.

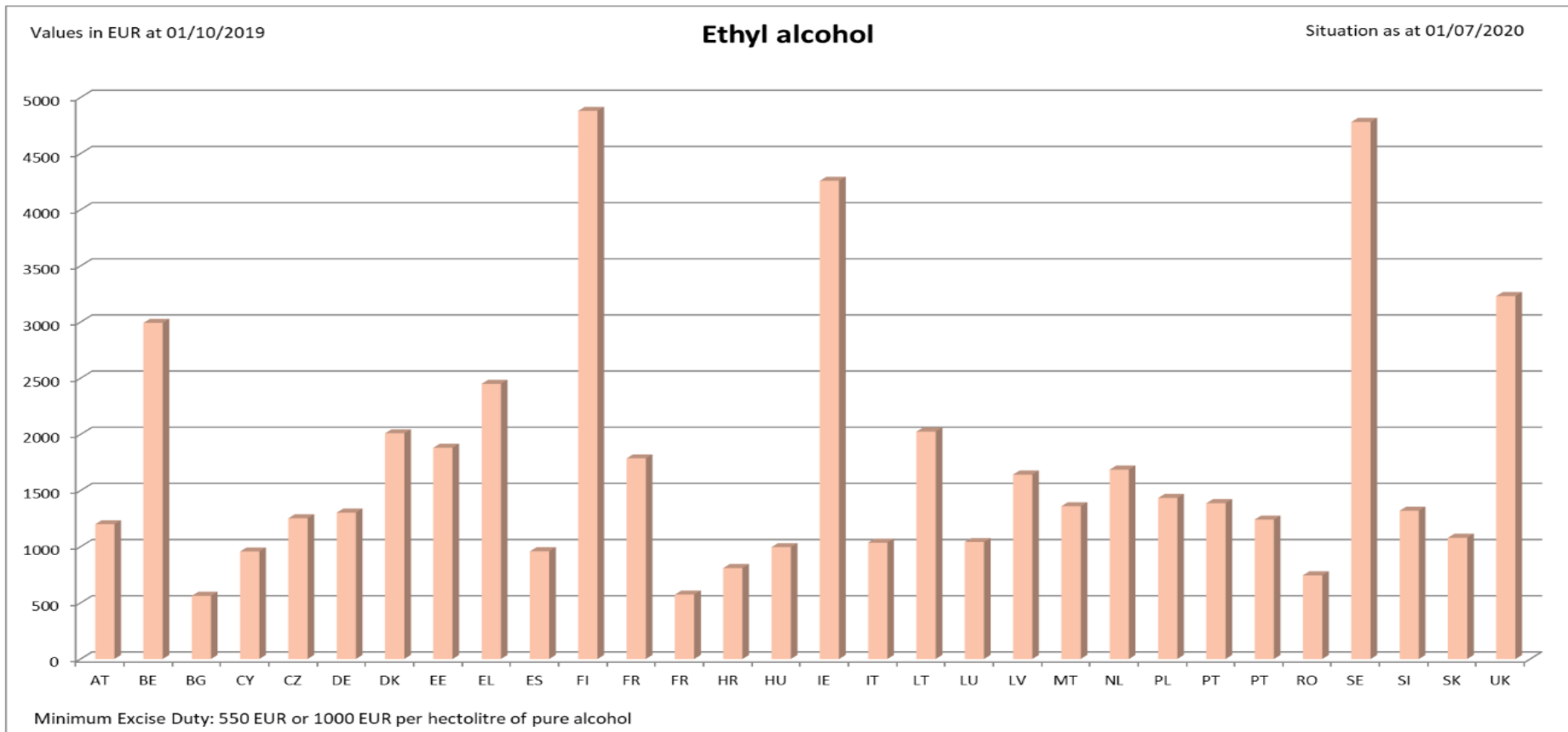
EXCISE DUTIES ON ALCOHOL IN EU

Excise products and minimum rates

Excise product	Rate expressed per:	Minimum rate:
Beer	Hectolitre per degree Plato	
	OR	EUR 0.748
	Hectolitre per degree alcohol	EUR 1.87
Wine		
	Hectolitre of product	EUR 0
(still and sparkling)		
Intermediate Products		
	Hectolitre of product	EUR 45
(e.g. port, sherry)		
Spirits	Hectolitre of pure alcohol	EUR 550

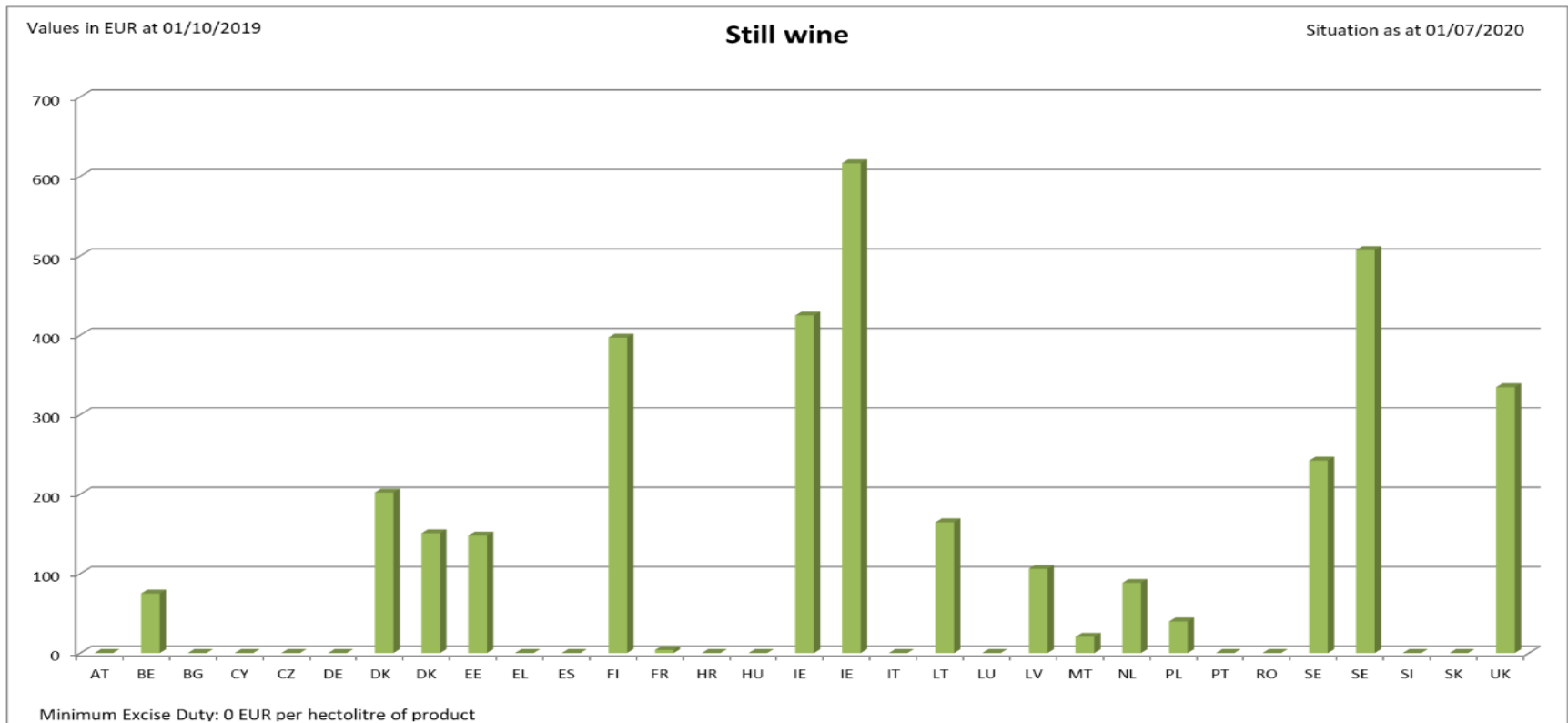
EXCISE DUTIES ON ALCOHOL

- As from 1 January 1993, the minimum rate of excise duty on alcohol and alcohol contained in beverages other than those referred to in Articles 4, 5 and 6 shall be fixed at ECU 550 per hectolitre of pure alcohol.



EXCISE DUTIES ON VINE

- As from 1 January 1993, the minimum rate of excise duty on wine shall be fixed (per hectolitre of product):
 - for still wine at ECU 0,
 - for sparkling wine at ECU 0.



EXCISE DUTIES ON BEER

- As from 1 January 1993, the minimum rate of excise duty on beer shall be fixed (of finished product):
 - ECU 0,748 per hectolitre/degree Plato,
 - ECU 1,87 per hectolitre/degree of alcohol.
- Member States which levy the duty by reference to the number of hectolitre/degrees Plato may divide beer into categories consisting of no more than four degrees Plato or category and charge the same rate of duty per hectolitre on all beers falling within each category. Such rates shall invariably equal or exceed the minimum rate laid down in Article 6 of Directive 92/84/EEC, hereinafter referred to as the minimum rate.

EXCISE DUTIES ON BEER

- Member States may apply reduced rates of duty, which may be differentiated in accordance with the annual production of the breweries concerned, to beer brewed by independent small breweries within the following limits:
 - the reduced rates shall not be applied to undertakings producing more than 200 000 hl of beer per year,
 - the reduced rates, which may fall below the minimum rate, shall not be set more than 50 % below the standard national rate of excise duty.

EXCISE DUTIES ON TOBACCO PRODUCTS

- Member States shall apply for groups of manufactured tobacco (cigars and cigarillos; fine-cut tobacco intended for the rolling of cigarettes; other smoking tobaccos) an excise duty which may be:
 - either an ad valorem duty calculated on the basis of the maximum retail selling price of each product, freely determined by manufacturers established in the Union and by importers from third countries in accordance with Article 15; or
 - a specific duty expressed as an amount per kilogram, or in the case of cigars and cigarillos, alternatively for a given number of items; or
 - a mixture of both, combining an ad valorem element and a specific element.
- In cases where excise duty is either ad valorem or mixed, Member States may establish a minimum amount of excise duty.

EXCISE DUTIES ON CIGARETTES

- Cigarettes manufactured in the Union and those imported from third countries shall be subject to an ad valorem excise duty calculated on the maximum retail selling price, including customs duties, and also to a specific excise duty calculated per unit of the product.
- EU legislation only sets harmonised minimum rates. Member States are free to apply excise duty rates above these minima, according to their own national needs.
- Specific provisions exist to allow Portugal to apply a reduced rate up to 50% less than the required overall minimum excise duty on cigarettes consumed in the most remote regions of the Azores and Madeira.

CIGARETTES

Directive 2011/64/EU requires Member States to levy a minimum rate of excise duties on cigarettes.

This minimum rate must consist of:

- A specific component of between 7.5% and 76.5% of the total tax burden (TTB) - expressed as a fixed amount per 1000 cigarettes
- An ad valorem component - expressed as a percentage of the maximum retail selling price

In addition, the overall excise rate must be:

- At least EUR 90 per 1000 cigarettes
- At least 60% of the weighted average retail selling price

Member States that apply excise duty of EUR 115 or more, however, do not need to comply with the 60% criterion above.

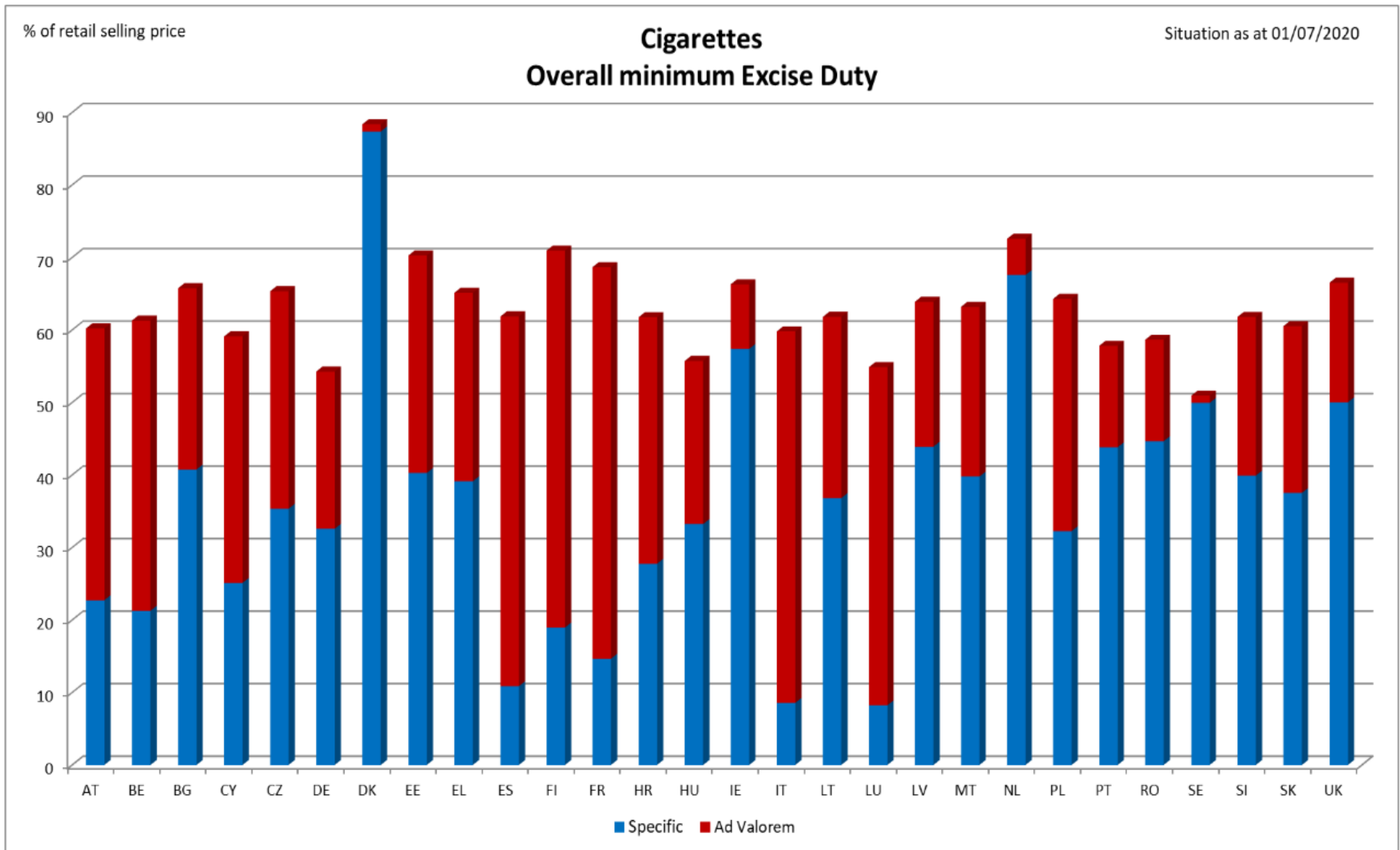
OTHER TOBACCO

Product Category	Minimum Rate
Fine-cut smoking tobacco	48% of the weighted average retail selling price* or 60 EUR per kilogram*
Cigars and Cigarillos	5% of the retail selling price or 12 EUR per 1000 or per kilogram
Other smoking tobaccos	20% of the retail selling price or 22 EUR per kilogram

* To gradually increase, by 2020, to 50% or 60€

Member States can choose between applying a specific component or an ad valorem component, or if they wish, they may apply a mixture of the two.

INDIRECT TAXES



REVISION OF EXCISE RULES FOR TOBACCO

In February 2020, the European Commission published an evaluation of the functioning of Directive 2011/64/EU .

The evaluation examined if the excise duty rates applied to manufactured tobacco have protected public health and ensured a proper functioning of the internal market.

The current evaluation assesses the performance of the Tobacco Taxation Directive against the evaluation criteria set out in the Better Regulation Guidelines.

The evaluation shows that while the current rules work well in terms of predictability and stability for Member State fiscal revenue, it is no longer as effective in deterring consumption. The increase in EU minimum rates for cigarettes and fine-cut tobacco, as set out in the Directive, only had an impact in a few Member States, which had very low levels of taxation in the first place.

EU Member States' Excise Tax on Heated Tobacco Products in Local Currency and U.S. Dollars

In Local Currency and U.S. Dollars as of July 1, 2020

Member state	Rate per Kilo	Other Bases	Tax in \$ per Kilo	Category
Austria	€110.00	-	\$123.50	Heated tobacco
Bulgaria	BGN 233	-	\$133.90	Smokeless tobacco
Croatia	HRK600	-	\$89.00	Heated tobacco
Cyprus	€150.00	-	\$168.50	Heated tobacco
Czech Republic	CZK 2,236	-	\$94.40	Heated tobacco
Denmark	DKK 1,300.90	-	\$196.10	Tobacco intended for inhalation without combustion
France	€29.10	Plus 50.7% <i>ad valorem</i> at retail level	\$32.70	Other tobacco product
Germany	€15.66	Plus 13.13% <i>ad valorem</i> at retail level	\$17.50	Pipe tobacco
Greece	€156.70	-	\$176.00	Electrically heated tobacco product
Hungary (a)	Not applicable	Heated tobacco product: HUF 10 per stick; Hybrid: HUF 70 per ml	Not applicable	Novel tobacco product
Italy (b)	Not applicable	50% of cigarettes based on consumption time	Not applicable	Inhalation product without combustion
Latvia	€70.00	-	\$78.60	Heated tobacco
Lithuania	€68.60	-	\$77.00	Heated tobacco
Netherlands	€114.65	-	\$128.80	Other tobacco products
Poland	PLN 141.29	Plus 31.41% of weighted average value at retail level	\$36.00	Novel product
Portugal	€80.00	Plus 15% <i>ad valorem</i> at retail level	\$90.00	Heated tobacco
Romania	RON396.10	-	\$92.10	Heated tobacco
Slovakia	€76.70	-	\$86.10	Smokeless tobacco
Slovenia	€88.00	-	\$98.90	Manufactured tobacco intended for heating
Sweden	SEK 1,957.00	-	\$211.00	Smoking tobacco

LIMITATIONS OF TOBACCO TAX/CIGARETTE TAXES

Tax authorities often slap high taxes on what they consider to be morally objectionable vices such as tobacco and alcohol. The idea is to punish consumers and hopefully discourage them from continuing the activity.

These efforts aren't always successful, though. Because demand for tobacco, and many other sin-taxed goods, is known to be highly price inelastic, most of the effect of the tax tends to be reflected in price increases rather than reduced consumption, at least in the short-run.

The World Health Organization (WHO) admits that, on average, a 10% increase in price (including taxes) of tobacco products would account for only a 4 to 5% drop in cigarette demand. These estimates may be generous, and most independent research finds much smaller effects.

The Center for Tobacco Control Research and Education, for example, points out that cigarette taxes are among the least effective means to reduce smoking.

Since smoking is an addictive habit, increasing the price of tobacco products does little to curb the number of sales made. Instead, most tobacco consumers simply pay the higher price (including the tax) and continue smoking.

This often results in a large revenue windfall for the taxing authority or for organized crime groups that smuggle in untaxed products but a comparatively small effect on actually reducing tobacco consumption.

ENERGY TAXES

- The basic document for the harmonization of environmental taxes is Council Directive 2003/96/EC restructuring the Community framework for taxation of energy products and electricity. The Directive was issued both to protect the environment, but also because of the unification of legislation of the Community. The fundamental problem in the absence of unified rules on minimum rates of taxation of energy products was the risk of jeopardy of the proper functioning of the internal market. The Directive does not aim to completely regulate the internal market, but leaves member states free to implement their own policies and provides the possibility to apply a various advantages to certain methods of use of the energy products.

ENERGY TAXES

Minimum rates for motor fuels

Fuel	Rate expressed per	Rate
Leaded petrol	Euro per 1000 litres	421
Unleaded petrol	Euro per 1000 litres	359
Gas Oil	Euro per 1000 litres	330
Kerosene	Euro per 1000 litres	330
LPG	Euro per 1000 kilograms	125
Natural Gas	Euro per gigajoule	2.6

Minimum rates for motor fuels used for commercial and industrial use

Fuel	Rate expressed per	Rate
Gas Oil	Euro per 1000 litres	21
Kerosene	Euro per 1000 litres	21
LPG	Euro per 1000 kilograms	41
Natural Gas	Euro per gigajoule	0.3

ENERGY TAXES

Minimum rates for heating and electricity

Fuel	Rate expressed per	Rate for business	Rate for non-business
Gas Oil	Euro per 1000 litres	21	21
Heavy fuel oil	Euro per 1000 kilos	15	15
Kerosene	Euro per 1000 litres	0	0
LPG	Euro per 1000 kilograms	0	0
Natural Gas	Euro per gigajoule	0.15	0.3
Coal and Coke	Euro per gigajoule	0.15	0.3
Electricity	Euro per MWh	0.5	1.0

ENERGY TAXES

- Energy products are only taxed when they are used as motor or heating fuel
- Energy tax applies to electricity, although there are several exemptions Member States can introduce
- Some sectors excluded: Energy products used as raw materials, for the purposes of chemical reduction, in electrolytic and metallurgical and in mineralogical processes are out of the scope of the Directive
- The "levels of taxation" applied by the Member States may not be lower than the minimum rates set in the Directive (higher minima for transport than for heating fuels)
- Possibility of tax exemption for biofuels
- Taxable base
 - Mineral oil products: volume
 - Coal, gas, electricity: energy content

TAXES ON PETROL AND DIESEL

- When taxation is used as an environmental policy instrument, the level of taxation should be determined according to the environmental damage caused by the energy product, e.g. by taking into account its carbon content.
- The marginal tax rates on the two most commonly used motor fuels, diesel and unleaded petrol. It can be seen that, in all Member States, excise duty rates on diesel are lower than those on unleaded petrol, despite diesel having a higher carbon and energy content than unleaded petrol.
- Some Member States offset this advantage by levying a higher registration tax (Croatia, Hungary and Slovenia) or circulation tax (Denmark, Germany, Luxembourg, Malta, the Netherlands, Finland and Sweden) on diesel cars.
- In order to make the tax rates applied to different fuels correspond better to the level of environmental damage they cause, a number of Member States (Denmark, Ireland, Slovenia, Sweden, Finland, France and the UK) also levy a carbon tax on energy products.

ENERGY TAX PROPOSAL IN EU

- In 2011, the Commission presented a proposal to revise the Energy Tax Directive.
- The aim of the proposal was to modernise EU rules on energy taxation. It seeks to restructure the taxation of energy products, in order to remove current imbalances and distortions, and support the EU's wider environmental and energy goals.
- A key feature of the proposal is to tax energy in a way that reflects both its CO₂ emissions and its energy content. Energy taxes would be split into these two components to determine the overall rate at which the fuel is taxed.
- The European Parliament voted on the proposal on 19 April 2012.
- Following the unsuccessful negotiations between the EU Member States in the Council, the proposal was withdrawn by the Commission in 2015.

EXCISE MOVEMENT AND CONTROL SYSTEM (EMCS)

- The Excise Movement and Control System (EMCS) is a computerised system for monitoring the movement of excise goods under duty suspension in the EU.
- It records, in real-time, the movement of alcohol, tobacco and energy products for which excise duties have still to be paid.
- More than 100 000 economic operators currently use the system, and it is a crucial tool for information exchange and cooperation between Member States.
- The purpose of the EMCS is to:
 - Combat fiscal fraud, with real-time information and checks on goods being moved under duty-suspension
 - Ensure the secure movement of excise goods for which duty has still to be paid, with pre-dispatch checks on traders
 - Simplify procedures for traders, with a standardised, electronic system for the whole EU
 - Speed up the release of guarantees when goods arrive at their destination
 - Create a paperless administration.