MEETING REPORT

1. Subject
Directive 2011/64/EU

2. Date and Place
8 March 2017, Brussels

3. Participants
DG TAXUD:

British American Tobacco (BAT):

Luiss University:

4. Summary of the discussion

BAT requested a meeting to present the results of two studies. In view of the revision of Directive 2011/64/EU, BAT had asked Luiss University to carry out a study on fine-cut tobacco and the Minimum Excise Duty. The studies were not part of the submission of BAT to the Open Public Consultation on the possible revision of Directive 2011/64/EU which ended on 16 February 2017. The studies are based on data and estimates from BAT.

In the first study a possible split between roll-your-own (RYO) and make-your-own (MYO) tobacco was analysed from the point of view of revenue raising potential for governments. Directive 2011/64/EU does not distinguish between these tobacco types. No legal terminology exists, meaning that both RYO and MYO tobacco could be classified as either 'fine-cut tobacco' or 'other smoking tobacco' in the current Directive. The study analyses tries to analyse the effect if such legal terminology and distinctions were to exist after revision of the Directive. According to BAT, substitution between cigarettes (factory made) and MYO is price based. For the analysis, it was assumed that the tax on cigarettes and RYO tobacco would remain unchanged, while the taxation on MYO would be increased. According to the study this would lead to an increase in revenue for Member States, decrease in consumption, substitution to cigarettes (price based consumer of MYO).

The second study analyses the impact of giving greater flexibility to Member States in applying the Minimum Excise Duty. A different MED depending on the price of cigarettes is currently not allowed. BAT believes that a 'selective excise duty' would prevent strategic behaviour based on price reduction because it would set indirectly a price floor, rather than a tax floor which is currently the case. Lower prices cigarettes
would bear a higher excise burden with this system. BAT expects that in practice it will likely prevent producers and importers to set prices below a certain threshold.

A copy of both studies and presentations is available in TAXUD C/2.

Report by: 

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