



EUROPEAN COMMISSION  
DIRECTORATE-GENERAL  
TAXATION AND CUSTOMS UNION  
Indirect Taxation and Tax administration  
**Indirect taxes other than VAT**

Brussels,  
taxud.c.2(2017)3911161 [REDACTED]

## MEETING REPORT

**1. Subject** Directive 2011/64/EU

**2. Date and Place** 6 July 2017, Brussels

**3. Participants**

DG TAXUD: [REDACTED]

PA Internatinal: [REDACTED]

AKD: [REDACTED]

### 4. Summary of the discussion

PA International requested a meeting to present the outcome of the elite poll they carried out. This elite poll was a set of questions on borderline cigarillos, products which fall for excise purposes in the category of cigars and cigarillos but have similar characteristics to cigarettes.

Currently no legal definition of borderline cigarillos exists. In the Ramboll evaluation (2014) health and revenue issues were signalled because the products benefit from lower excise duty rates while some argue they are in competition with cigarettes. One of the recommendations of the Ramboll study was to address this issue by aligning the rates of the category of cigars and cigarillos to the rates of cigarettes. This option is also included in the Inception Impact Assessment and led to concerns of the traditional cigar industry because such an increase would also affect their products significantly.

PA International is a consultancy company which has been asked by a cigar manufacturer to look into options to address the issue of borderline cigarillos without affecting the traditional cigar industry. The idea PA international and AKD developed is supposed to target only the cheap borderline products and would provide Member States with a tool to address the issue of borderline cigarillos without having to increase the rate for the overall category 'cigars and cigarillos'.

According to PA International, the majority of the participants of their poll, '*102 top experts on health and tobacco policy*', is in favour to amend the Directive 2011/64/EU and introduce their idea, 'the additional prevention tax' (APT). The APT is additional tax component that would be applicable to cigars and cigarillos with a retail selling price which is lower than the one of the cheapest cigarettes representing 1% of the market share in a Member State.

PA International is not able to provide any statistics on the size of the issue but according to their sources, the category of borderline cigarillos will grow exponentially if no action is taken.

TAXUD gave an update on the current state of play related to the possible revision of Directive 2011/64/EU. The decision whether to revise the directive has not been taken. TAXUD also explained the requirements related to the Better Regulation guidelines; the requirement to carry out an Impact Assessment which will be assessed by the Regulatory Scrutiny Board before any proposal can be made. Before considering options to amend the current directive, the evidence will have to show if there is (still) an issue in the area.

PA International believes that introducing the APT is very important for health reasons. With the current directive, Member States could already address the issue by aligning their rates for cigars and cigarillos to the rates of cigarettes. This would be disproportional according to PA International, because it would affect all products in this category. PA International expressed its intention to organize a round table meeting in August or September with European Parliament Members and others to raise political awareness for this issue.

**Report by:** [REDACTED]

c.c.: [REDACTED], TAXUD LIST C2