

IOGT International submission

Inception impact assessment

General arrangements for excise duty – harmonization and simplification

IOGT International welcomes the initiative by Directorate-General for Taxation and Customs Union to review and revise Directive 2008/118/EC.

IOGT International appreciates the opportunity to contribute our expertise to the inception impact assessment.

IOGT International is the premier global network of civil society organizations working to prevent and reduce alcohol-related harm through evidence-based policy measures and community-based interventions. IOGT International was founded in 1851 and has today 143 Member Organizations in 57 countries; based in Stockholm, Sweden we represent 60 civil society organizations from 26 European countries, out of which 14 are EU Member States. IOGT International has special consultative status with the United Nation's Economic and Social Committee (ECOSOC).

Alcohol harm in Europe

Europe is the heaviest alcohol consuming region in the world. Harms related to the high levels of alcohol use are a heavy burden on public health, social welfare and economic productivity in the European Union. For example, alcohol harm costs €155.8 in the EU every year.

Alcohol harm is pervasive and a heavy burden in Europe:

- Alcohol is the 3rd leading risk factor in Europe for ill health and Noncommunicable diseases (NCDs) such as cancer, diabetes or heart disease.
- 12 million people in the EU are alcohol dependent.

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- Around 9 million children in the EU are growing up in homes with parental alcohol problems.
- 1 of 4 road fatalities in EU are alcohol related. In 2010 nearly 31,000 Europeans were killed on the roads of which 25% of deaths were related to alcohol.
- Alcohol is the leading risk factor for ill-health and premature death for the core of the working age population (25 to 59 years of age).
- Alcohol is responsible for 1 in 7 male deaths and 1 in 13 female deaths in the age group of 15 to 64 years, resulting in approximately 120 000 premature deaths.

Alcohol Policy works

Evidence shows that there are alcohol policy best buys that are cost-effective and high-impact in their effects on consumption levels, patterns and associated harm. Especially policy measures decreasing the availability of alcohol and increasing the affordability of alcohol are effective.

Alcohol taxation has been proven to be highly impactful and cost-effective. For instance, when excise duties were reduced in Finland in 2004 this resulted in an increase in alcohol consumption and a substantial increase in deaths from alcohol attributable diseases. Or when the German government introduced a tax on alcopops – lemonade-like sugar-sweetened alcoholic beverages targeting youth – consumption went down, as prices went up.

Comments on context and problem definition (Part A):

IOGT International welcomes that cross-border movement through private acquisition (article 32 of the Directive) is addressed in the problem definition part of the IIA. However, we do regret the tentative approach. The high and indicative import quotas prevent member states from using their taxation competency to set excise duties according to public health need (a, b). For instance, the application of the high and indicative import quotas to Finland in the mid 2000's led to excise duty cuts with severe effects on public

health (c). There is also a clear link with tax evasion and organised crime. For example, following the application of the article 32 quotas to Sweden in 2004, a report on organised crime by the Swedish police's intelligence agency KUT in 2005 (d) concluded that "instead of smuggling in large quantities of alcohol, thousands of litres, the criminal groups are now on a large scale bringing in legal travel rations and store these in depots".

IOGT International therefore strongly recommends the European Commission to include the high indicative levels in article 32 as an already defined problem in part A of the Impact Assessment.

Comments on objectives and policy options (Part B)

Article 168 of the TFEU mandates the European Commission that "A high level of human health protection shall be ensured in the definition and implementation of all Union policies and activities." Therefore, IOGT International calls for an evaluation of the effects on public health of any proposed measures under this revision. Particular assessment is required for any measure that may lead to a reduction in the market price of alcohol, and with it to an increase of alcohol consumption and related harms.

IOGT International recommends the EC to extend public health considerations to apply to all objectives identified and not only to the "fight against fraud and tax evasion".

This is specifically the case for the objective to "reduce administrative burden and costs for economic operators". Reducing the administrative burden and costs contributes to lower prices of goods harmful to health across Europe. It also has a specific public health concern in member states and associated countries with alcohol retail monopolies.

Alcohol retail monopolies are justified under EU law (Franzén C-189/95) but favourable conditions for cross-border B2C online alcohol sales would undermine the monopolies' legal legitimacy (see reasoning in Sjöberg & Gerdin C-447/08) through establishing online B2C as a new retail channel.

Comments on expected impacts (Part C)

IOGT International finds it extremely unlikely that there will be no social impacts of the policy changes evaluated, especially as the IIA identifies reduced costs for economic operators as a likely economic impact of policy change.

A likely social impact of the automation of the movements of excise goods is thus increased consumption of harmful products. This would come about through lower prices and increased accessibility of such goods across Europe.

Comments on the data collection and consultation strategy (Part D)

IOGT International emphasizes the evidence clearly showing the impact of high import quotas on tax evasion, fraud, organised crime and public health (article 32).

Therefore, IOGT International welcomes point (i) and (ii) addressing the need to respect different institutional setups for excisable goods and looking at potential unintentional effect on public health of policy changes.

Given the evidence, IOGT International holds it is imperative that these considerations are present throughout the EC's work on the Directive.

We are highly critical of the fact that no public health stakeholder was consulted in the 2015 evaluations laying the foundation for this IIA (e) (f). If the European Commission is to make good on the stipulations of Art. 168 of the TFEU, the EC needs to identify 'NGOs active in the health area' as a relevant stakeholder.

This is already done in the IIA concerning Directive 92/83/EEC and we see no reason for why the stakeholders of these Directives should differ. IOGT International is thus confident that this omission will be rectified moving forward.

List of References

(a) Rabinovich, L., Brutscher, P. B., de Vries, H., Tiessen, J., Clift, J., & Reding, A. (2009). *The affordability of alcoholic beverages in the European Union: understanding the link between alcohol affordability, consumption and harms*. Cambridge, UK: RAND Europe. <http://ec.europa.eu/health/ph_determinants/life_style/alcohol/documents/alcohol_rand_en.pdf>

(b) Nordic Council Welfare Committee (2012) *Nordic alcohol and tobacco policies in a public health perspective*. <<http://www.norden.org/en/nordic-council/cases-and-documents/a-1566-velferd>>

(c) Mäkelä, P., & Österberg, E. (2009). *Weakening of one more alcohol control pillar: a review of the effects of the alcohol tax cuts in Finland in 2004*. *Addiction*, 104(4), 554-563.

(d) RKP/KUT (2005) *Organiserad brottslighet i Sverige 2005. Rapport – 2005:2b*.

(e) DG TAXAUD (2015) *Evaluation of current arrangements for the cross border movements of excise goods that have been released for consumption*.

(f) DG TAXAUD (2015) *Evaluation of current arrangements for the holding and moving of excise goods under excise duty suspension*.

Legal cases

Case C-189/95 – *Criminal proceedings against H Franzén*

Joined Cases C-447/08 and C-448/08 – *Criminal proceedings against Otto Sjöberg and Anders Gerdin*