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COMMISSION OF THE EUROPEAN COMMUNITIES

COM(83) 779 final

Brussels, 20 December 1983

Proposal for a

COUNCIL DIRECTIVE

to prolong the derogation accorded to Ireland relating to the rules governing turnover tax and excise duty applicable to international travel

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(submitted to the Council by the Commission)

COM(83) 779 final

COM 779

EXPLANATORY MEMORANDUM

Council Directive 78/1032/EEC (1) increased the tax-free allowance for goods contained in the personal luggage of intra-Community travellers from 125 to 180 ECU and, at the same time, granted Ireland a derogation until 31 December 1983 to exclude from this allowance any item exceeding 77 ECU in value. The Irish Government has expressed concern at the economic consequences which would arise if the full allowance were to be applied from 1 January 1984 and has requested a prolongation of the derogation.

At the time when the derogation was granted, the main concern of the Irish Government was that an increase in the travellers' allowance would create specific problems in respect of certain goods subject to excise duties but for which no quantitative limits had been envisaged (radios, televisions, record players and similar equipment, and motor vehicle parts and accessories). The problem which concerns the Irish Government now, however, is that in addition to the excise duties in question there is a significant difference (35 % as opposed to 15 %) in the VAT rates applied in Ireland and the UK to a wide range of consumer goods, which has led to a marked increase in cross-border shopping trips by citizens of the Republic of Ireland.

The Irish Government fears that if the derogation in question were not to be extended there would be an increase in the level of cross-border shopping which would have a noticeable effect on national tax revenues and would create serious problems for traders operating close to the border.

The Commission acknowledges that the problems posed by cross-border trade between Ireland and the UK are now greater than in 1979, largely as a result of substantial increases in Irish VAT and excise duty rates during the last two years, and accepts that an ending of the derogation on 31/12/1983 would have unacceptable economic and fiscal consequences. In these circumstances the Commission feels obliged to propose that the derogation be extended for a limited period and the attached draft Council Directive proposes a six month prolongation. It will shortly bring forward proposals to cover the situation after 30 June 1984.

(1) OJ No. L 366, 28.12.1978, p. 28

PROPOSAL FOR A COUNCIL DIRECTIVE

prolonging the derogation accorded to Ireland relating to the rules governing turnover tax and excise duty applicable in international travel

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 99 and 100 thereof,

Having regard to the proposal from the Commission,

Whereas Council directive 78/1032/EEC[1] granted Ireland a derogation, in respect of the unit value of goods to be imported with tax exemption, from Directive 69/169/EEC[2], as last amended byDirective 82/443/EEC[3];

Whereas the Irish Government has requested a prolongation of the above derogation;

Whereas the tax system at present applied in Ireland does not yet allow full application of the tax exemption granted to travellers coming from other Member States of the Community without the risk of serious economic consequences;

Whereas, therefore, Ireland should be authorized to continue to apply exceptional arrangements for a further limited period,

HAS ADOPTED THIS DIRECTIVE:

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[1] OJ No L 366, 28.12.1978, p. 28

[2] OJ No L 133, 4.6.1969, p. 6

[3] OJ No L 206, 14.7.1982, p. 35

Article 1

The second indent of paragraph 1 of Article 5 of Directive 78/1032/EEC is hereby replaced by the following:

- Ireland may, until 30 June 1984, exclude from tax exemption goods whose unit value is in excess of 77 ECU.

Article 2

Other Member States shall take the necessary steps to permit the remission of tax, in accordance with the procedures referred to in Article 6 of Directive 69/169/EEC, on goods imported into Ireland which are excluded from exemption.

Article 3

Ireland shall communicate to the Commission details of the measures which it adopts to implement this Directive.

Article 4

This Directive is addressed to the Member States.

Done at Brussels

For the Council
The President