



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

Brussels,
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MEETING REPORT

- 1. Subject** Round Table Tobacco meeting on the Impact Assessment on Directive 2011/64/EU
- 2. Date and Place** 7 September 2016, Brussels
- 3. Participants** Attendance list attached
- 4. Summary of the discussion**

In the introductory session, the Commission explained the purpose of the meeting, that was to inform industry stakeholders on the ongoing process and the timeframe of the review of the Directive 2011/64 ('the Directive'), and to invite interested parties to an open, constructive and collaborative discussion on the Inception Impact Assessment (IIA). Participants were also informed that a second roundtable with the public health NGOs would be held on the following day. The Commission finally introduced the external contractor, Economisti Associati, who will prepare a study contributing to the work on the Impact Assessment of the Directive (the 'Study').

Economisti Associati (EA) briefly presented the salient features of the Study, and in particular the objectives, the issues at stake, the methodology and the work plan. In particular, EA described the envisaged mechanisms for the consultation of stakeholders (industry, public authorities, non-State organisations etc.), which involve a large interview programme with field-work in selected Member States (MS) and a Commission-led Open Public Consultation (OPC) that will be accessible to all interested parties. EA clarified that the OPC will be expectedly launched in October and will remain accessible for at least 12 weeks. The Commission underlined the importance that industry associations and players promote participations and possibly help disseminating the OPC in their constituencies (e.g. through their websites etc.)

Presentation and Discussion of Specific Issues

The rest of the Round Table was dedicated to present and discuss with the participants the issues and related policy options listed in the IIA, which were largely based on the findings of an evaluation of the Directive made by Ramboll et al. in 2014 (the 'Evaluation 2014'). The objective was to gather initial, informal feedbacks and insights useful for a robust design and implementation of the Impact Assessment. The main points discussed are summarised below.

1. The first issue discussed concerned possible inclusion of new products (such as e-cigarettes) in the scope of the Directive. Some participants would support a separate initiative for a harmonized approach of taxation of e-cigarettes. Concerns were expressed about the burden for SMEs, effects of taxation on the usage of e-cigarettes instead of traditional tobacco products, the constantly evolving technology, and divergent treatments on national level. This could be a reason to support a more harmonised approach, including also a minimal or 0% tax rate. The Commission clarified it is not pre-committed to impose excises on e-cigarettes.

2. The second area of discussions regarded illicit trade of *raw tobacco* and other intermediate products and their possible inclusion in specific categories of the Directive. Participants expressed concerns about the burden EMCS would bring and they also doubted the effectivity of EMCS to monitor and tackle illicit flows. Reference was made to a regulatory framework requiring registration of growers and crops, which could also be a solution according to participants. Some industry representatives argued that Member States have shown being capable to solve the illicit trade in raw tobacco in national level and European legislation would therefore be unnecessary.

3. The other issues and policy options presented and discussed at the Round Table concerned various aspects of the Directive, namely: (i) possible issues with the definitions and the categories of products with potential distortive effects on the market; (ii) the need for clarifications on the way MED is applied across MS; and (iii) the burden of the dual classification systems for excise and customs.

Participants stressed that the option to align the rates of excise duty for cigars with the ones of cigarettes would be disproportionate, especially since the borderline cigarillos only represent a very small part of the market. Some respondents argued that there is a need to clarify the current Directive article on *Minimum Excise Duty (MED)*, to avoid interpretations that might be unduly distortive of the market.

It was argued that the Excise Classification and the Combined Nomenclature are two systems serving different purposes; hence, any harmonization would risks creating problems and misalignment with each system's own objectives. Furthermore, it was stressed that harmonising the definitions used in the Customs and Excise systems would be technically difficult, as the former is governed by the World Customs Organisation and not by the EU institutions.

Report by: [REDACTED]

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

APPENDIX

List of participants

Association	Participants
AGTI /Association of the Greek Tobacco Industries	[REDACTED]
BAT /British American Tobacco	[REDACTED]
BAT /British American Tobacco	[REDACTED]
BdZ /Bundesverband der Zigarrenindustrie	[REDACTED]
BFTG /Bündnis für tabakfreien Genuss e. V.	[REDACTED]
CECCM /Confederation of European Community Cigarette Manufacturers	[REDACTED]
CECCM /Confederation of European Community Cigarette Manufacturers	[REDACTED]
CECCM /Confederation of European Community Cigarette Manufacturers	[REDACTED]
C.E.D.T. /Confédération Européenne des Détaillants en Tabac	[REDACTED]
DZV /Deutscher Zigarettenverband	[REDACTED]
ECMA /European Cigar Manufacture Association	[REDACTED]
ECMA /European Cigar Manufacture Association	[REDACTED]
ECMA /European Cigar Manufacture Association	[REDACTED]
ESTA /European Smoking Tobacco Association	[REDACTED]
ESTA /European Smoking Tobacco Association - BE & Lux	[REDACTED]
ETV /European Tobacco Wholesaler Association	[REDACTED]
Fédération belge du tabac	[REDACTED]
FETRATAB /Fédération Européenne des Transformateurs de Tabac	[REDACTED]
FETRATAB /Fédération Européenne des Transformateurs de Tabac	[REDACTED]
FETRATAB /Fédération Européenne des Transformateurs de Tabac	[REDACTED]
FIVAPE /French vaping Federation	[REDACTED]
IBVTA /Independent British Vape Trade Association	[REDACTED]

IBVTA/Independent British Vape Trade Association	[REDACTED]
Imperial Tobacco	[REDACTED]
Imperial Tobacco	[REDACTED]
JTI/ Japan Tobacco International	[REDACTED]
JTI/ Japan Tobacco International	[REDACTED]
PMI/ Philip Morris International	[REDACTED]
PMI/ Philip Morris International	[REDACTED]
Public Policy Matters	[REDACTED]
Scandinavian Tobacco Group	[REDACTED]
Simply Europe	[REDACTED]
Swedish Match	[REDACTED]
Swedish Match	[REDACTED]
SWM intl/ Group SWM-LTR Industries	[REDACTED]
SWM intl/ Group SWM-LTR Industries	[REDACTED]
SWM intl/ Group SWM-LTR Industries	[REDACTED]
Tobaksindustrien/Tobacco Manufacturers Association of Denmark	[REDACTED]
TVECA/Tobacco Vapor Electronic Cigarette Association	[REDACTED]
TVECA/Tobacco Vapor Electronic Cigarette Assoc. (EPPA representing TVECA)	[REDACTED]
UNITAB/Union Internationale des Producteurs de Tabac	[REDACTED]
VdeH/Verband des eZigarettenhandels e.V.	[REDACTED]
VdR/Verband der deutschen Rauchtobakindustrie e.V.	[REDACTED]
Economisti Associati	[REDACTED]
Economisti Associati	[REDACTED]
Economisti Associati	[REDACTED]
DG TAXUD	[REDACTED]

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