



Council of the  
European Union

Brussels, 29 October 2014  
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**NOTE**

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From: General Secretariat of the Council  
To: Delegations  
Subject: Request to the Council for the approval of state aid to Cypriot farmers  
(waiving of taxes on motor fuel used for agricultural purposes)

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Delegations will find attached, in the Annex, a letter to the President of the Council of the European Union (Agriculture and Fisheries) from the Cypriot Minister for Agriculture, Natural Resources and Environment.



REPUBLIC OF CYPRUS

MINISTRY OF AGRICULTURE, NATURAL RESOURCES  
AND ENVIORNMENT

Office of the Minister

M.A.N.R.E.: 4.02.08.04.01

29<sup>th</sup> of September 2014.

To His Excellency Mr. Maurizio Martina  
President of the Council of the European Union.  
(Agriculture and Fisheries)  
Ministry for Agriculture, Food and Forestry

Dear Mr. President,

Dear Maurizio,

**Request to the Council for the approval of state aid to Cypriot  
farmers ( waiving of taxes on motor fuel used for agricultural purposes)**

At various meetings of the Council for Agriculture and Fisheries, Cyprus had the opportunity to inform Member States delegations about the serious problems and difficulties faced by the island's agricultural sector due to exceptional circumstances i.e. the serious economic and financial crisis, the severe drought during the period 2013/14 and the consequences of the Russian ban on imports of agricultural products from the European Union.

Despite the seriousness of these problems and the grave consequences they have had on agricultural incomes and the agricultural sector in general, Cyprus was not able so far to access any additional funds and aid from Union sources. Neither was it in a position

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*itself to provide relief through state aid other than the continuation of a scheme applied since 2004 for zero taxation of diesel fuel used for agricultural purposes (which is now to be extended by 5% quantity wise to cover diesel for vehicles used for agricultural purposes i.e. to a total of about 30 million Liters L per year).*

*It should be noted that the scheme applied since 2004 was allowed under the Commission guidelines for state aid in agriculture but, unfortunately, the relevant provision is not any more included in the new guidelines in force since the 1<sup>st</sup> of July 2014. A possibility for the continuation of the scheme is provided by Article 44 of the General Block Exemption Regulation which, however, does not allow to waive in full the taxes imposed on diesel used in agriculture. Instead Article 44, in combination with the provisions of Council Directive 2003/96 on the taxation of energy products, requires that a minimum level of taxation of 21 Euro per 1000 Liters is applied.*

*In the current context and bearing in mind the exceptional circumstances and problems the agricultural sector is facing in Cyprus, a new tax on diesel fuel would further increase the economic burden of producers with serious negative effects on their agriculture activities.*

*In view of the above the Government of the Republic of Cyprus hereby submits a request to the Council to approve the granting of national aid to Cypriot farmers in the form of waiving all types of taxes imposed on motor fuel used for agricultural purposes (machinery and vehicles) for the period from 1<sup>st</sup> of July 2014 until and including 2020.*

*The request of Cyprus is based on Article 108(2), third subparagraph of the Treaty on the functioning of the European Union, taking into consideration the following particular and exceptional circumstances:*

- 1. Since March 2013, Cyprus is plunged into the deepest economic and financial crisis in its history and is receiving financial assistance from the EU and the IMF under very strict conditions. A negative growth rate of 5.4% was recorded last*

*year and the contraction of the economy is projected to continue until mid 2015 at least. The island's banking system is undergoing major restructuring and is still faced with serious problems relating to bad loans and debt.*

- 2. Agriculture, being one of the weakest sectors of the economy, has been hit hard by the economic crisis, the lack of access to credit and finance and the contraction of demand leading to a fall in prices for agricultural produce. A number of state aid schemes supporting the sector in the past (e.g. CNDPs and coupled state aid under transitional arrangements) either run out or were abandoned due to lack of resources. While in a period of crisis the general tendency should be for agriculture to gain in importance, the opposite is observed in Cyprus due to the very low competitiveness of the sector. Marginal land in particular is abandoned to the detriment of the environment and landscape.*
- 3. Agriculture in Cyprus is further weakened by recurring droughts and other natural calamities. In the past, I had the opportunity on more than one occasion to inform the Council about the devastating effects of these droughts which are becoming more and more frequent due to climate change. The year 2014, for example, was one of the worst recorded in history with rainfall during the critical winter and spring months having remained below 40% of normal. Surface water harvest was less than 10%.*
- 4. The situation has been worsened by the Russian ban which has seriously affected a number of sectors notably the citrus sector since 40% of the production is exported to the Russian market.*

*The scheme will apply to diesel fuel used in agriculture (machinery and vehicles). The total quantity of fuel to be exempted from taxes would not exceed 30 million liters per year. Measures will be taken to ensure that only fuel actually used in agriculture will be benefitting from tax exemption (by colouring and a coupon system).*

*I sincerely hope that the Ministers of the Member States appreciate the gravity of the situation we are faced with and they will give us their full support for a unanimous decision to allow Cyprus to implement the required measures as a matter of urgency.*



Nicos Kouyialis  
Minister

*cc. Dacian Ciolos, Member of the European Commission  
Androula Vassiliou, Member of the European Commission  
Members of the Council of the European Union  
Angel Boixareu Carrera, Director General, Directorate General, Secretariat General  
of the Council of the European Union*