EUROPEAN COMMISSION
DIRECTORATE-GENERAL
TAXATION AND CUSTOMS UNION
INDIRECT TAXATION AND TAX ADMINISTRATION
Environmental and other indirect taxes

08 June 2011

TAXUD/2011/683120

Orig.: EN

WORKING PAPER
FOR INTERNAL USE

EXCISE CONTACT GROUP

MINUTES OF THE ECG MEETING ON 30/05/2011
1 **WELCOME AND INTRODUCTION**

The Chairman (Mr O’Driscoll) welcomed the Member States and the European Trade Federations delegates, explained the interpretation facilities and went through the agenda in detail.

2 **E-LEARNING FOR EMCS CORE BUSINESS (PRESENTATION BY THE COMMISSION AND DEMONSTRATION OF A PRODUCTION RELEASE)**

Mrs Deliège presented the results of the e-learning project which is intended to MSs and economic operators (EcOps) in Excise field.

**EMCS e-Learning - Core Business Module**

The core business part of the EMCS is now deployed in all MSs and there is a need for newcomers to understand how the system behaves in different scenarios, to be sure that all participants have a common understanding of the system and to reduce the number of mistakes. DG TAXUD decided one year ago to develop e-learning materials as a support to newcomers and to any person involved in EMCS. The purpose of these materials is to prototype the main EMCS business scenarios, based on the Functional Excise System Specifications (FESS), and to provide a comprehensive overview of the most important functionalities of EMCS. Two modules are foreseen by DG TAXUD in this respect. The first one, which is nearly finalised, deals with the core business part of EMCS and is intended to all people involved in this system in each MS. The second one, whose development is starting now, will target MSAs.

The building process of the core business module started approximately one year ago. DG TAXUD but also voluntary MSs (EE, ES, IE and LT) were involved. Subject matter experts from MSs were active in the elaboration of the EMCS e-learning module. At the ECG which took place on 29/11/2010, a prototype of the course was presented. The course has now been developed. A test event, which was the last step of the building process, was held in Athens on 13/05/2011. The participants from MSs had the opportunity to test and comment the module, whose goal was to provide the EcOps with an introduction about EMCS and to reduce the number of mistakes by focusing on critical points and by providing answers to very particular questions. It is important to note that the module reflects the EU legislation and not the specific national implementations.

The course consists of a set of topics in which traders are involved, each of those being illustrated by realistic case studies, i.e. practical examples that give a context to the different processes. The user will be able to find details about specific or complex procedures. The module is intended to be used to get a general overview on EMCS or as a reference manual when being in a specific situation. All topics are grouped in scenarios, and the main one is the submission and receipt scenario that covers all the topics of the core business concerning the movement of goods. This scenario contains various sections. The three other scenarios deal with export, management of registration data and management of reference data.

The first version in English has been published on CIRCA for information. The final version will be published on the Internet site europa.eu by the end of July 2011 (provisional date). DG TAXUD will promote the module but MSs and traders federations are also invited to do so. The module will be translated into any EU official language on request of MSs.
Mrs Deliège provided the delegates with a quick demonstration of the Core Business module based on four main scenarios, each of them containing a set of sections or topics. It was underlined that in the module all topics are presented the same way, providing an overview of the content of the topic, a description of the actors involved and a summary of the process through an animated graphic. Examples are also presented in the module to give a practical illustration of it.

The Chairman pointed out that the demonstrated version was available on the CIRCA group for EcOps in the ECG interest group, accompanied by a disclaimer as this is a pre-release (not aimed for distribution) of a version which still needs some corrections; the formal first version being possibly released in July 2011.

3 STATE OF PLAY OF EMCS, PRESENTED BY THE COMMISSION

Mr Dejongh presented a short overview of the current state of the EMCS.

EMCS Short Overview

The system has gone live on 01/04/2010 (Milestone A). The whole roll out of the system has been made until the beginning of this year (Milestone B) and all MSs are now operational. DG TAXUD is now working on the next phase (Milestone C on 01/01/2012), by adding a number of functionalities for among others the Administrative Cooperation (for MSs) and the splitting (for traders). MSs are currently starting the tests that will last until the end of this year.

Concerning the evolution of the number of messages, this was relatively low during 2010 but a sudden increase has started in December which has led to a high volume of messages (over a million of movements supported by EMCS) maintained until now. However the number of errors messages stays below 1% which shows the stability of the system. Technical figures also prove that the system is working efficiently in all MSs involved.

Concerning the Phase 3, the presentation also indicated when each MS published or intended to publish the specifications to EcOps, when the test environment will be ready for EcOps and when they will start the tests.
4 ROUND-TABLE FOR THE EUROPEAN TRADER FEDERATIONS, INTRODUCED BY PRESENTATIONS

4.1 PRESENTATION BY FRENCH WINE AND SPIRITS FEDERATION ON THE RESULTS OF ENQUIRY CONDUCTED ON ITS MEMBERSHIP CONCERNING THE PERCEPTION OF EMCS

Mr Rouvière represents the French Wine and Spirits House (WSH) which covers a wide range of products, producers and traders. This federation set up a study on GAMMA (the French national excise application) amongst its members (some 800 different federations) in order to sound out what their thinking was, to identify, with the cooperation of the FR customs, the specificities of their sector and the constraints encountered by operators and to look at various technical issues. 117 members participated, which is a high response rate and shows the interest for the project in this sector.

Survey on GAMMA by the French Wine and Spirits House

The delegate explained that a large number of documents are issued because of the consequent volume of export. WSH wished to know the repartition between the Direct Web Interface Access (DWI) (64%) and the B2B (36%), as the sector includes large producers but also an important number of small producers. The trend is to move over to the B2B system as it much more practical. The DWI is helpful because it is free, easy to roll out and it has been adapted to small volumes. A lot of producers use it before having a B2B that is reliable for their purposes. The B2B system covers all the different movements, the data is already available in the system and the documents are automatically generated.

In terms of information and its understanding, 94% of traders felt that they were well or correctly informed and 92 % felt that they had a good or correct understanding of the reform, which is reassuring knowing the efforts that were undertook. Traders have received this information through the trade unions, the customs and excise authorities at national and local levels, the press and other means. Traders had however a series of questions about the processing and receiving of documents and the deadlines.

Concerning the issuing of the e-ADs, users succeed in creating their documents on the customs interface despite difficulties which make them losing time. Several reasons why they have difficulties in sending e-ADs have been identified. The first one is that the producers do not always understand the error messages: sometimes it is unclear what has to be changed to make the document valid. The second reason is that the system does not suit small multi-products business but this is a specific issue to the FR market. The third reason is, especially for spirit drinks, the need to indicate the quantity in effective volume instead of in pure alcohol. Although it is possible to calculate it, producers generally want a quicker system to calculate the effective volume. Indeed, for 63% of the surveyed, there is a loss of time. For FR customs, the data have to be typed in again. For traders, there is an overload in issuing the documents. This task was manageable when it was done with paper but, with the new tool, a great knowledge is required amongst the people filling in the forms. In small companies, they do not necessarily have people who are familiar with the software. Lastly, documents have to be printed out for the transporters.

Receiving e-ADs allows time saving and this can be regarded as the main added value of the reform. It is very easy. 78% felt that the home page is very easy and allows saving time.
In terms of possible developments and changes, the operators are for example not in favour of implementing the duty paid movements at EU level. 80% of the operators have not implemented it and do not plan to do it until it is compulsory. The reasons for this are that they feel that it would be unmanageable given the large number of orders, that it would be too burdensome, that the IT system has not been adapted to that particular requirement, that the paper system is considered as much faster for the time being (it is an ease of use compared to learn something new) and that the implementation is not mandatory.

Concerning the fallback procedure, it was useful to know whether MSs can manage that system in case of a break down and whether they know what is to be done when they are blocked. 85% acknowledged being familiar with the procedure. WSH could consequently send out appropriate information to the 15% who were not aware of the fallback procedure. Concerning the service failure, 68% stated that this was not very frequent.

The discharge of the e-ADs raised a lot of concern, especially on getting coherence between the Export Control System (ECS) and the EMCS, but this problem is being solved. About the use of the customs platform at the export site, some 30% found it easy to use and 12% that it was difficult but they know to work when the discharge needs to be done.

As a summary regarding the results of the survey, to the question whether the reform is seen as a simplification or as a complication, 45% feel that this makes things more complicated and 55% simpler. Simplification is noticed because there is less paper handling, when B2B works, using templates for e-ADs, the removal of stamping machines (which leads to cost savings) and the improvement of traceability (which helps in terms of real time management). Complication is noticed because some IT tools have to be reworked (which generated costs and consumed employees’ time who spent it rather on administrative tasks than on sales and marketing ones), significant costs are involved, the fallback procedures are deemed very laborious, and challenging for some operators, the printing of e-ADs for the transporters give rise to some confusion and understanding among operators and finally the entering of products codes is not always easy.

As regards financial benefits or gains to be achieved through the system, only 9% feel that they have had a financial improvement through a rapid discharge procedure. The percentage is similar concerning the warranty costs. Other surveys should ideally be conducted in order to check whether the situation has improved or not.

The Chairman thanked Mr Rouvière for his detailed presentation and added that the issue concerning the measurement of alcohol had been noted. It was also highlighted that some measurement issues have arisen during the EMCS production: one in alcohol and the other one in the oil sector. DG TAXUD will look at this measurement issue to see how the situation can be improved.

On the issue on duty paid, COM has no plan at the moment to introduce an EU-wide duty paid system to monitor and track the movements of goods release for consumption. However, there is a working group meeting with MSs in June 2011 where all issues related to duty paid will be discussed. The first impression is that such a system would certainly be more interesting in the context of Administrative Cooperation. EMCS itself does not currently cover the tracking, on a request basis or on a spontaneous basis, of movements that have already been released for consumption.

The problem of connection between ECS and EMCS is well known to both MSs and traders. In June 2011, the other half of the working group meeting is beginning a discussion on setting up a group to revisit the decisions taken in 2006-2007 concerning how to interface excise and customs procedures, in the light of the experience of the EMCS operations gained over the last year. There seems to be a large number of problems as regards indirect export which appears as a much more common procedure that it was envisaged.
4.2 EUROPIA: CURRENT ISSUES IN EMCS

The Chairman introduced EUROPIA’s presentation over the current issues that oil producers and distributors are finding with EMCS as currently operating.

Mr Bascoul thanked for giving EUROPIA (representing the European oil industry) the opportunity to make their presentation at the meeting. The purpose of the presentation was to highlight problems that their members have encountered since January 2011, to look to the future and to look at their member companies’ expectations.

EUROPIA presentation to the ECG on outstanding EMCS

Here follows a non exhaustive list of problems encountered since 01/01/2011.

- In one MS, EMCS crashed on the Intrastat submission day, resulting in a situation where members of this specific MS were unable to send in their Intrastat declarations.

- In another MS, the customs site was unavailable, meaning that is was difficult to have assistance.

- In particular in January and February 2011, a number of MSs had problems implementing the DTI system and the SEED database, especially with the consignments by lorry that was blocked because the SEED database had not been updated. EUROPIA is calling for a regular update (almost an instant update) of the data depending on the registrations in the different MSs.

- In some operations and for some MSs, e-ADs are raised with an ARC number issued by the consignor in a MS but not received by the consignee in another MS, which meant that the transport vehicle could not leave the oil refinery site and days were lost.

Concerning direct deliveries, the fact that there is no harmonisation across the 27 MSs is also a problem. An example was taken with two MSs. The BE authorities asked that the delivery addresses in BE would be registered to the BE Consignee’s Licence and that this registration would be indicated in the e-ADs at the arrival point. This has an impact in trade terms on EUROPIA’s members as an update can take several days and trade flows cannot be followed because of the non recognition within the system of the BE codification. In FR, the situation is very different, as the FR authorities require one e-AD per final place of delivery. So if a truck comes from a BE refinery and must deliver to five petrol stations in the North of FR, there would be five e-ADs issued in BE (one per final destination) and the FR manager owner of the petrol stations would need to look at the volume received per petrol station. This request is in a way a barrier to the free movement of goods between MSs. There is effectively a different treatment of direct delivery within two neighbouring MSs. EUROPIA holds a detailed list of expectations from MSs so that they know whether they have the acceptance of the direct delivery requirements but the operators have to go back to their local branch to get the detail of the requirements for these direct deliveries. This unfortunately means that, amongst EUROPIA’s members, there is an increased development cost within direct deliveries as they have to develop systems depending on the country of destination. In FR, there would be an e-AD that would be different depending on whether it is going to BE, NL or AT.

As regards indirect export (case where export takes place from a MS and transits another one) the fact that both ECS and EMCS need to be used without connection between both systems can lead...
to several declarations being left open at the end of the day. For export to CH, operators have to enter the data in three different documents (ECS, EMCS and NCTS). For NO, it is the same situation.

Concerning simplifications, because of the way their members are organised (they are grouped by zones and not by MS) EUROPIA’s is in favour of a simplification. That would allow them to ease the treatment of flows between neighbouring MSs.

The splitting procedure is used on a daily basis by EUROPIA’s members but it is unfortunately not obligatory in all MSs. It is therefore indispensable for the free circulation of oil across the EU as many of the cargoes can be resold along the way. From one day to the next, there could be a change in destination. When it comes to splitting, EMCS reduces the ease of flow compared to the paper version. According to EUROPIA’s members, they have to make the changes in the electronic version that they did not have to make in the paper version.

The change of destination is also an essential process for the members: the destination, the means of transport and the cargo change on a regular basis. Sometimes it can be changed to an export towards a country outside the EU. It has been observed that changing destination cannot really be done at the EU level, especially where a product is not delivered in the EU. Disputes occurred between the buyers and the sellers. When doing indirect exports, some operators have hundreds of open e-ADs at the moment: since 01/01/2011 it has not yet been cleared. If they go to the detail of each national procedure, operators will have to provide a proof on the means of transportation and, given the high number of daily operations, a substantial number of documents would be needed for each operation.

EUROPIA asked why an ARC number is needed for sea transport deliveries and what is the risk of not having any. Leaving a vessel in port for just a couple of hours costs money. With the paper procedure, faxing a copy of the e-AD to the vessel used to be an alternative. That cannot be done because the customs administration refuses to let the vessel leave unless it has the e-AD.

In conclusion, EUROPIA has been behind the EMCS project from the start to give all possible supports in all of their member countries as they are in favour of electronic documents and speeding the whole process. Nevertheless the process does not work in reality as effectively as it was initially hoped. Instead of having simplifications, EMCS actually makes things more complicated and requires a lot of time (some operators have to spend hours trying to unknot some of the problems) compared to the old paper system, where the project was always accompanied by paper documents. This can be a flexible and harmonised procedure across the 27 MS. EUROPIA’s members are mostly companies based in the 27 MSs. They do not have any purely national companies. Therefore they wish to have harmonised systems and procedures, which would be risk based and that the same rules apply to all MSs to make things easier.

The Chairman came back to some points of the presentation. There are of course some differences in national procedures. Excise is fundamentally a national issue. There is a horizontal directive which gives the general guidelines for the way that insured Community movements should take place but regarding the details, it is up to MSs to decide. It can mean that, in some cases, small differences of choices are made between MS, which can lead to additional costs because of a lack of harmonisation. In order to try to deal with that, issues concerning the lack of harmonisation are regularly taken up through the Excise Committee and the ECWP to try to reduce unnecessary differences. In terms of direct delivery and codes, the Excise Committee document CED691 tries to summarise the differences in national practice (latest version of the document is published at the TAXUD’s EMCS webpage: http://ec.europa.eu/taxation_customs/taxation/excise_duties/circulation_control/legislation/index_en.htm). It is intended to be a “living document”; therefore to be maintained to indicate the differences in national procedure that are relevant for traders. Traders are invited to communicate any comments or suggestions that they would have concerning the current content of this document. However, at the end of the day, there will always be some differences in national
practice within the EU. It is important to try to strike the balance between informing the traders of those differences and trying to reduce them in the interest of harmonisation where possible.

Concerning the issue of the interface between customs and excise procedures and more specifically over movements with CH, if movement terminates in CH, it is true that three different applications are needed at the moment. If excise goods are only transiting CH, the current situation is not very different from the preceding one which was that the internal transit (T2) needed to be managed using NCTS. An AAD was used for the excise goods being carried. Within the current situation, if the cargo carrying goods is only transiting CH, only NCTS and EMCS are needed. For external transit to NO, it was decided by MSs in the reflection group in 2006 that a better control of the final destination to NO was needed. This is the reason why the situation is now more complicated than it was previously. Of course that can be looked at again in the future when other issues concerning the linking of excise and customs procedures will be re-discussed.

On the issues of globalisation splitting, this can continued to be discussed but some MSs made very clear that, for security reasons, they feel that they are not pleased with the approach that supports splitting. In order to look at globalisation again, time will be needed as this process is similar in some ways to “simplified procedures” in customs, which is connected to some form of assurance that the trader in question can be trusted and authorised to participate in simplified procedures. So the first thing to do will be to decide on the way to proceed. One of the problems of trying to have simplified procedures in excise is that all actors involved have to agree that they can trust the trader, whereas in customs this principle can be established more simply. DG TAXUD is aware of the issue and of the costs involved in having 100% control. This difficult discussion is to be further investigated in the framework of the simplifications that are supported at EU level.

5 ANY OTHER BUSINESS

The Brewers of Europe (BoE), representing the European Brewing Sector, also reported the problem of missing registration documents in EMCS which would probably be due to the link between MSs and is certainly a technical issue that can be solved. BoE’s experience with EMCS has been rather positive so far. The BoE delegation thanked COM, the MS representatives but also the software providers who worked very closely. Despite some problems that remain (amongst which some have been explained by WSH and EUROPIA) things seem to get better. Nevertheless a greater degree of standardisation could still help in moving EMCS to the next stage. The BoE delegation raised the issue of identification. Due to the competing transport environment in Europe, some brewers do not have the data until the last moment, which increases the risk of delay of the e-AD delivery.

Mr Delhaye, representing the BE Wine and Spirit Association and the European importers and distributors of wines and spirits, explained that all operators were hoping to save time using the system but at the moment they seem to be wasting time with it. They hoped to have less work, and it is certain that one day there will be less work, but at the moment it is only extra burden. Everybody hoped less use of paper but the documents have to be printed out. It was also expected to save some money but at the moment it is costing the companies money rather than saving them money.

As regards some specific points, for spirits, Mr Delhaye explained that there is now a large margin of error due to the fact that the operators were used to work with 100 degrees. Concerning wine, every time an e-AD body record is made, the products of the same code and the same degree must be indicated on the e-AD body record. So if products have the same code but a different degree (that happens very often), a list of extra e-AD body records is needed. The problem is that beyond a number of fifteen or twenty e-AD body records the system crashes and everything has to be started again. Having noticed that, operators multiply the number of
documents and limit each document to eleven or twelve bodies or entries. As regards the license plates, they are received at the last minute, i.e. when the truck arrives. Above all, as it is the license plate of the first transporter that is required, there is no point to indicate it when goods were transferred from truck to truck. The servers crashed quite often. Finally, the table of nomenclature does not include all the codes and when the code is missing an emergency procedure is needed (in BE, it is said that this must be changed at EU level); this might leading to difficulties. Sometimes, the code (e.g. for the intermediary product) is connected to differences in excise levels between MSs so that nothing can be done without the code.

The Chairman thanked the speakers for their contribution. Whilst there are still difficulties, which must be further investigated, there is in general slightly more satisfaction with EMCS than there is dissatisfaction, which is a good result to begin with. The situation must still be improved in order to make the life of traders easier and more economic using this system in the future.

Mr Rouvière asked about the translation of the e-learning module. The Chairman answered that most MSs said they were interested in the translation in their official language(s) but that there was no formal commitment required yet. For FR, there is already training available for the GAMMA system but it is up to FR to decide whether they would like to have the material provided by COM as a supplement. The FR delegation answered that they had taken part in an internal test on the module and they thought that it was of good quality but, as the final version will be supplied in July and by the time it will be also translated, operators will be used in the EN version; therefore there is no point to translate it as far as FR is concerned.

The Chairman stated that they will have another meeting for the Excise Contact Group in the autumn (October or November) without giving a specific date as a meeting room has still to be found. The date will be communicated when it will be at least provisionally agreed.

6 Conclusion

The Chairman closed the meeting by thanking the delegations for their attendance and the contributions that will be incorporated to the discussions with MSs for the future work on this project. He also thanked the interpreters for dealing with very technical material in a very competent way.