



European Commission — Taxation and customs union

Functional Excise System Specifications

Excise Movement and Control System





Foreword

This leaflet is mainly intended for European businesses trading in excise goods (alcohol, tobacco and energy products). It can also be of interest to tax officials involved in excise duty procedures. It describes the Functional Excise System Specifications (FESS) prepared in the context of the Excise Movement and Control System (EMCS). FESS¹ was agreed between all 25 Member States following a review process.

For any additional and background information, please refer to the EMCS section of the European Commission website at:

http://ec.europa.eu/taxation_customs/taxation/excise_duties/circulation_control/index_en.htm.

¹ The content of this leaflet is based on FESS v2.



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1 Introduction

The Excise Movement and Control System (EMCS) is a computerised system for monitoring movements of excise goods between Member States.

Excise goods can circulate under two modes: “excise paid” or “under excise duty suspension”. EMCS exclusively addresses the movements under duty suspension.

At present, movements of excise goods must be accompanied by a paper document called Administrative Accompanying Document (AAD) which contains information describing a consignment, its origin, its destination, its contents and the various administrations and economic operators that are involved in the movement.

The AAD is issued by the consignor of the movement and a copy of the AAD has to be sent back by the consignee to the consignor for discharge of the movement and release of the movement guarantee. This mandatory movement guarantee, which is usually provided by the consignor, covers the potential fiscal loss in case the goods or part of the goods do not arrive at the destination.

The computerisation of the AAD is the main objective of EMCS.

Compared to the current paper-based system, EMCS will:

- permit the electronic transmission and validation of the accompanying document (e-AAD);
- permit the electronic discharge of the movement;
- improve the functioning of the internal market, by simplifying intra-Community movements of excisable products, enforcing monitoring of flows in real time and the carrying out of checks.

The advantages of EMCS are:

- for the economic operators: a fast discharge of the movement guarantees, and a reduction in the administrative burden;
- for the Member State Administrations (MSAs): a better view of ongoing movements of excise goods, a decrease of the risk of fraud and a better targeting of their controls.

EMCS is specified in the Functional Excise System Specifications (FESS), which are the cornerstone specifications for the system development. The FESS analyses and documents all functions and processes that must be part of EMCS.

This leaflet presents a summary of the FESS content with a view to explaining in simple language what EMCS will do and how the computerised system will deal with the excise movements.



2 EMCS core functionalities

The main functionalities of EMCS involve all scenarios that directly relate to the movements of excise goods under duty suspension.

A movement is documented in EMCS by means of the successive states of the electronic Administrative Accompanying Document (e-AAD) at each stage of the movement, from issuance by the consignor to acknowledgement of receipt by the consignee.

States of an e-AAD: the states that an e-AAD may take during its life cycle, e.g. "accepted" when validated at dispatch, or "delivered" when the acceptance of delivery has been notified at dispatch via the report of receipt.

These functionalities are mainly dealt with through a standard scenario, but also through various other situations described below.

2.1 Standard scenario

The standard scenario covers most EMCS movements between a consignor and a consignee; it consists in an authorised warehousekeeper sending excise goods under duty suspension from a tax warehouse to another tax warehouse or to a registered trader.

Authorised Warehousekeeper: natural/legal person authorised to produce, process, hold, receive and dispatch products subject to excise duty in the course of his business, excise duty being suspended under tax-warehousing arrangement.

Registered Trader: natural/legal person without authorised warehouse keeper status authorised to receive products under excise duty suspension from another Member State. This type of trader may neither hold nor dispatch such products under excise duty suspension.

Both consignor and consignee are permanently registered in the System of Exchange of Excise Data (SEED) database by their respective Member State Administration (MSA).

SEED contains all data necessary for the proper functioning of the EMCS. Please refer to Chapter 3 for further information.



The figure below illustrates the standard EMCS scenario:

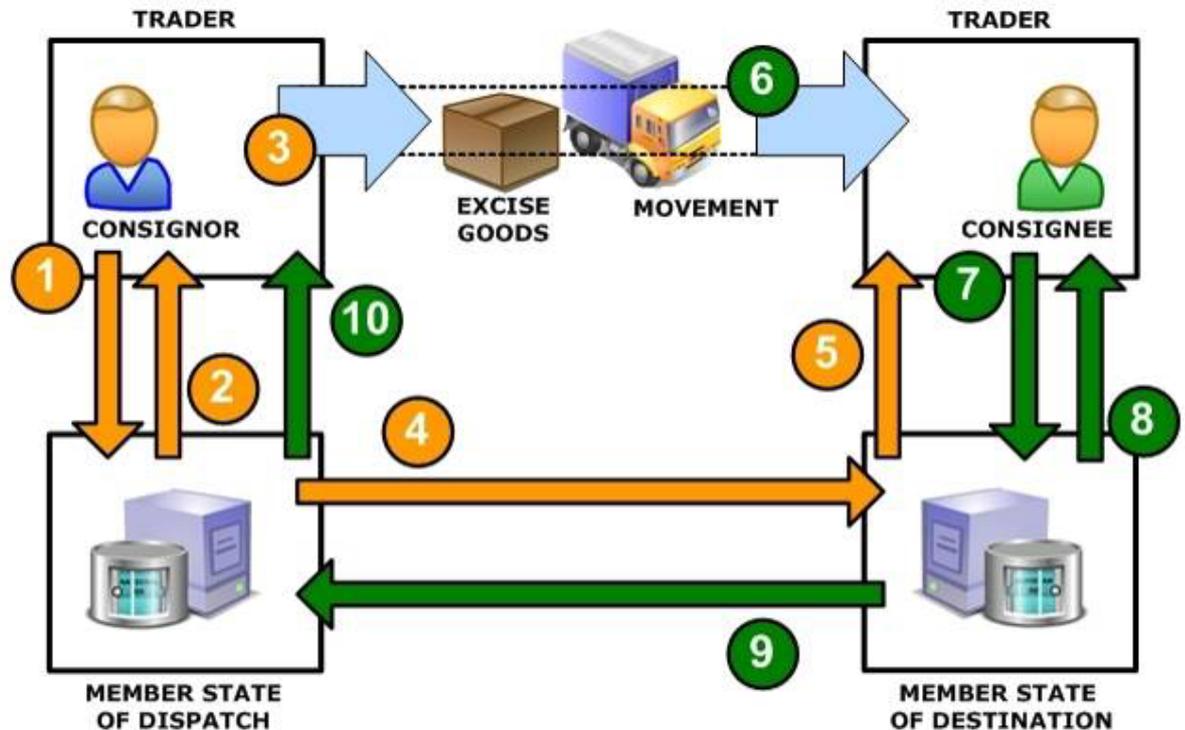


Figure 1 EMCS standard scenario

The numbered steps are described below:

- 1 – The consignor submits a draft e-AAD;
- 2 – The Member State of dispatch automatically validates and sends back the e-AAD to the consignor. This is an instantaneous step, matter of a few seconds;
- 3 – The consignor dispatches the excise goods;
- 4 – The Member State of dispatch transmits the e-AAD to the Member State of destination;
- 5 – The Member State of destination forwards the e-AAD to the consignee;
- 6 – The excise goods arrive at destination;
- 7 – The consignee submits a report of receipt;
- 8 – The Member State of destination validates the report of receipt and sends it back to the consignee;
- 9 – The Member State of destination transmits the report of receipt to the Member State of dispatch;
- 10 – The Member State of dispatch forwards the report of receipt to the consignor.



Validation of the e-AAD

The draft e-AAD submitted by the consignor to his Member State Administration (MSA) of dispatch is checked against SEED data, in particular regarding the validity of the Excise numbers of both consignor and consignee.

If one of these data is found incorrect, then there will be no validation of the e-AAD.

Once validated, a unique AAD Registration code (ARC) is assigned to the e-AAD: the content of an e-AAD is then fixed; no update of the content is allowed except in case of change of destination (handled through a specific procedure).

The ARC must be available during the transport of goods.

Use of timers

Upon validation of an e-AAD, a timer is started by the system as of the date of dispatch to expire in a given time.

If no report of receipt is received within that time, the e-AAD is flagged and the MSA of dispatch sends a reminder message to the consignor and the MSA of destination, the latter forwarding it to the consignee.

Following this reminder, the consignee and/or the consignor should cope with the situation by proper means: either the consignee submits the report of receipt or the economic operators send explanation messages intended for their MSA (e.g. indicating that a transport incident delayed the movement or that goods are still under inventory at destination).

Submission of the report of receipt

Receipt of goods is acknowledged by the consignee submitting a report of receipt stating that the goods have arrived at destination.

Upon arrival of the goods, the consignee makes an inventory, in particular on excesses and shortages. He records the results in a report of receipt submitted for validation to the MSA of destination.

Legally, the report of receipt by the consignor has the same value as the return of copy 3 of the present paper AAD. This means that it is a general discharge of the movement, subject to:

- payment of duties on non-exempted shortages;
- results of possible further procedures that would ascertain irregularities on which the financial responsibility of the guarantor would be engaged.

Technically, in EMCS, this discharge will be achieved through the validation by the MSA of destination application of the report of receipt, which is automatically forwarded to all MSA involved, as well as to the consignor and the consignee.



2.2 Other situations

Many scenarios are foreseen in the FESS regarding the e-AAD:

2.2.1 Cancellation

The consignor may cancel a planned movement. This is only possible before the actual dispatch of goods and in case the validated e-AAD does not correctly describe the consignment (or if the movement cannot occur for any reason).

Cancellation is used e.g. when the consignor has submitted an e-AAD not in line with the actual consignee's order (goods quantity or nature...), or the commercial transaction is simply cancelled, or the related validated e-AAD is found incorrect before the departure of goods. The consignor can then cancel the e-AAD.

After physical departure of the goods from the tax warehouse of dispatch, an e-AAD cannot be cancelled anymore.

In case the e-AAD is found incorrect after the goods have left, the consignor may submit either an event report (if the MSA of dispatch agrees to record it) or an explanation message after receipt of goods.

If the commercial transaction is cancelled after the goods have left, the consignor has first to order a return of goods through a change of destination, and then receives them back by submitting a report of receipt.

2.2.2 Change of destination

A consignor may change the destination of a movement. It is also possible to update the destination fields of an e-AAD, either in the normal course of the movement or following a refusal at delivery or rejection of the consignment.

The consignor submits such a change by giving the identity of a new consignee (who can be the consignor himself) or only of a new place of delivery (e.g. if the goods must be delivered to another tax warehouse of the same consignee).

The update is validated by the MSA of dispatch and a confirmation of the update is returned to the consignor.

At the same time, the change of destination is notified to the former destination (MSA and consignee) and the updated e-AAD is sent to the new destination (MSA and consignee).

Upon receipt of the e-AAD, the new MSA of destination forwards it to the consignee.

2.2.3 Splitting (only for energy products)

A consignor may split a consignment of energy products into two or more parts intended for different destinations.

To that end, the consignor submits a series of e-AADs to replace the initial one. The global balance of quantities must remain the same.



Splitting (only for energy products) is used e.g. in case of coastal shipping, where part of the goods are delivered in several harbours or to several consignees in the same harbour, without the consignor knowing in advance who will finally be the consignee.

2.2.4 Temporary registered trader

A consignee can be a temporary registered trader (not permanently registered in SEED).

In this case, the non-registered trader obtains a temporary authorisation to receive a given quantity of goods under duty suspension arrangements; the goods are deemed to be released for consumption at delivery. The consignee has to guarantee in advance payment of duties at arrival.

The temporary authorisation is registered as part of SEED for the period where it is valid.

A temporary authorisation is issued either for a single movement (non-reusable authorisation) or for several movements, provided that the total of quantities of goods moving under the suspension arrangement does not exceed the quantity registered in the authorisation (reusable authorisation).

2.2.5 Rejection (before arrival of goods)

A consignee may reject goods before they arrive.

Before the goods arrive, the consignee is able to send an **alert** or **rejection** message to notify the MSAs and the consignor that the e-AAD does not match his order or that he did not order the movement.

The consignee should issue such a message as soon as he observes the discrepancy.

An **Alert** message is sent e.g. when wrong quantities are declared, the e-AAD not exactly matching the consignee's order; the consignee can await delivery in order to check the consignment at arrival.

A **Rejection** message is sent e.g. when the consignee is not awaiting the described goods at all.

If the e-AAD is rejected, the consignor has to submit a change of destination (or a splitting). A particular change of destination is the change of destination for return of goods, i.e. the new destination is now the initial place of dispatch.

If the e-AAD is **not** rejected, the consignor can

- continue the movement when the reasons of the alert do not prevent the goods from being accepted by the consignee; or
- submit a change of destination (e.g. after verification, the e-AAD correctly describes the goods actually sent but this is not what is expected by the consignee), so that the destination changes as soon as possible before the goods arrive at the former destination; or
- submit a splitting, if this is allowed;
- cancel the e-AAD if the goods did not leave the tax warehouse of dispatch.

2.2.6 Refusal (after arrival of goods)

A consignee may completely refuse the delivery.



This is done by making a report of receipt including, when relevant, assessment of shortages and excesses. The movement is not discharged and the consignor must change the destination to allow for the goods to move to another destination (possibly return to the tax warehouse of dispatch).

If the delivery is refused, at least one reason must be given.

Note that the FESS does not yet provide for a procedure to refuse a delivery partially. This is still under discussion. Awaiting a final solution, a consignee wanting to refuse only part of a delivery could, for instance, accept the totality of the goods and immediately submit a new e-AAD to cover the movement of refused goods to the consignor or to another destination designated by the consignor.

2.2.7 Customs cases

An EMCS movement may have to interact with customs procedures, in particular when the goods are either imported or exported.

When the goods are imported for customs purposes, but need to remain under the suspension of excise duties, the movement starts from a Customs office of import, immediately after the release for free circulation.

Release for free circulation for customs entails the payment of import duties and the application of all measures and formalities in relation to the goods, after which the goods may be made available to the importer.

Goods are allowed to leave the customs office of import only after the e-AAD has been satisfactorily compared with the data declared in the Customs import operation. This operation is very similar to the standard scenario described in paragraph 2.1, except that the movement does not start from a tax warehouse and, hence, requires the intervention of a registered shipper to submit the e-AAD at the place of importation.

At present, when excise goods under duty suspension are exported outside the Community, the destination of the movement is the customs office of exit, where the goods will leave the territory of the Community. That office returns a copy of the paper AAD to the consignor for discharge of the movement. Under EMCS, it is envisaged to use the ECS (Export Control System) to monitor the exit of the excise goods from the territory of the Community. ECS is a project for computerisation of the customs export procedures which is under development and which will be operational before the launch of EMCS.

Lastly, the 'destination' of an EMCS movement can be another customs procedure. For example, when imported goods are rejected by the importer because they are defective or do not comply with the terms of the contract on the basis of which they were imported, they can be placed in a customs warehouse with a view of obtaining a refund of customs duties before being re-exported.



3 SEED and reference data

The System for Exchange of Excise Data (SEED) and the reference data are essential to the proper operation of EMCS.

3.1 SEED

Economic operators involved in duty suspended movements are granted either a permanent registration (authorised warehouse keeper, registered trader, registered shipper...) or a temporary authorisation. That information must be disseminated to all MSAs so that they have the necessary information to perform formal validations.

SEED provides each MSA with an up-to-date copy of the characteristics of all authorised economic operators mandatory to complete validation of e-AADs without having to cross-consult information from MSA to MSA.

SEED contains data on permanently registered economic operators, a register of tax warehouses, and temporary authorisations (granted to non-registered traders who will receive goods under suspension arrangements).

The contents of the register concern:

- the excise number of the economic operator, i.e. the identification number issued by the competent authority in respect of the person or premises;
- the name and address of the person or premises;
- the category of excise products and/or the products which may be held or received by the person or which may be held or received at these premises;
- identification of the central liaison office or the excise office from which further information may be obtained;
- the date of issue, amendment and, where applicable, the date of expiry of the authorisation;
- other relevant information such as specific authorisations (e.g. the allowance to practise direct delivery).

EMCS provides for a "quick update" mechanism allowing each MSA to have exactly the same registration information at the same time, which is essential for the correct functioning of EMCS. In addition, the SEED-on-EUROPA website allows economic operators to check the validity of authorisations on-line and to contact their administration immediately if discrepancies have been observed.

For any additional information on SEED-on-EUROPA, please refer to the press release available at: http://ec.europa.eu/taxation_customs/index_en.htm

3.2 Reference data

The reference data are all types of codes and parameters that EMCS has to maintain for its own operations:

- Excise Offices List (**EOL**),
- various **lists of codes** to be used in EMCS messages, including excise **product categories and codes**,
- **common system parameters**, such as delays, frequencies and lists of goods categories authorised for specific functions.

Economic operators can obtain categories of excise products and excise products codes from their respective MSA.



4 Other functions for the benefit of MSAs and traders

Apart from core functionalities and SEED, other EMCS functions mainly reserved for MSAs are used for monitoring excise movements under duty suspension and for exchanging relevant information according to several modes of collaboration. However, the economic operators are allowed to participate, either in submitting complementary information electronically, or in getting information of movements they are involved in.

4.1 Follow-up functionalities important for traders

These other functions important for traders are:

- **Reports of events:** many minor or major events can arise during a movement, such as theft or destruction of a vehicle, goods or an accompanying document. If the accompanying person is incapable of reporting such an event, any other person being aware of the procedure can do it. Using the report as evidence, the consignor, consignee or transporter reports the event to an excise office;
- **Access to registration data:** each permanently registered economic operator is enabled to consult his own registration information as recorded in the register used by the MSAs. This allows the economic operator to ensure that his registration information is accurate and up-to-date and, if it is not the case, to request the suitable update;
- **Access to movement data**
 - Economic operators receive a copy of all messages composing the life cycle of a movement involving them. This enables them to consult the history of a movement even when not logged to EMCS. In addition, they could be allowed to consult the same information from EMCS if enabled by their MSA.
 - Any MSA is allowed to download the history of a movement. MSAs need to get access to movement information as soon as necessary, e.g. to record a particular event.

4.2 Other follow-up functionalities

Other functionalities for monitoring Excise movements and exchanging relevant information are:

- **Report on controls:** MSAs are free to perform physical controls on Excise consignments moving under duty suspension. The outcome of a control is always recorded in the system so that it can be used later, for example during enquiries;
- **Interruption of a movement** in case a severe offence is discovered during control: Whenever an MSA on the basis of a control report or an event report considers that a movement cannot proceed, it becomes the MSA of destination and stops the e-AAD, and the authorities may proceed to the seizure of the goods.



4.3 Administrative co-operation and Risk Management

EMCS also contains functionality embodied in the current **Early Warning System (EWSE)**, supports exchanges currently performed by the **Movement Verification System (MVS)** and proposes an **ad-hoc query** to help officials in their analysis of movements.

Information exchanges between the Member States will be based on Risk Management models developed within the EMCS, which will allow MSA to apply more effective measures to assure compliance, at the same time allowing for ever less disruptive control of honest traders.



5 Fallback and Recovery

The Fallback and Recovery Specification (FRS) is a separate document dedicated to the solutions aiming at ensuring that, despite human or machine errors, trading in excise goods is able to continue without support of EMCS. At the same time, MSAs must be in a position to keep track of movements.

The FRS is about:

- preventing exceptions from happening and preparing the system for complementary solutions;
- falling back from normal working processes to downgraded operations so as to ensure continuity of business while acquiring the information necessary for a safe recovery;
- recovering the follow-up information to re-construct the history of a movement into electronic records.

The FRS addresses issues of interest to persons in charge of the details of how to process business exceptions and how to assess the consequences of technical failures on the continuity of business.

Fallback examples

1 – When an economic operator wants to ask for registration information and resources are locally temporarily unavailable, the corresponding operation can be performed manually without subsequent input.

2 – If the submission of an e-AAD is unavailable (e.g. due to software/hardware failure at dispatch), the consignor will be able to delay the electronic submission by reverting to fallback paper procedures (these procedures to be started after a certain time depending on the case and to be decided by the MSA of dispatch).

Recovery examples

1 – If an economic operator issues a report of receipt for an e-AAD whose ARC is unknown or in a wrong state, and possibly after having tried to reload the missing or wrong e-AAD, the submitted report is rejected and the error is notified to the consignee. It is then up to the consignee to re-submit the correct report of receipt.

2 – Recovery from paper-based procedures will be managed differently depending on where the paper fallback procedure started.

- if the e-AAD was successfully validated at submission (i.e. it has an ARC), recovery of any subsequent operation is completed through entering the data using normal procedure, possibly a posteriori;
- if the paper fallback procedure was applied from the initial submission of the draft AAD, the consignor will have to perform the equivalent electronic operations as soon as the application is available again.



6 Miscellaneous

6.1 Business Prototype

An EMCS Business prototype has been developed as a didactic material to assist the readers of the FESS.

It illustrates the global understanding of the functionality in terms of main scenarios, and aims at demonstrating to users how the target system could behave in these cases. It does not show, and does not intend to show how end user interfaces could be implemented.

The Business Prototype is available online at:

http://ec.europa.eu/taxation_customs/taxation/excise_duties/circulation_control/index_en.htm

6.2 EMCS Phasing

Regarding the implementation of a computerised system conform to the FESS:

- the EMCS project is split into several phases, as the functionality will not be available as a whole as from day one;
- the EMCS functionality has been split into “packages” to be deployed progressively among MSAs and economic operators;
- the deployment of a first operational version of EMCS is planned to take about 2 years.

The document describing EMCS implementation and its associated transient phases is the Phasing and Scope Specification (PSS).

That specification will be explained in a dedicated leaflet.

6.3 Specifications maintenance

The EMCS system specifications are under maintenance through a review process involving all Member States.

Therefore, the FESS document will evolve over time to adapt to new business needs, including improvements or other functionalities, for instance to include a solution on partial refusal.

Latest information on EMCS developments will be available on the EMCS section of the European Commission website at:

http://ec.europa.eu/taxation_customs/taxation/excise_duties/circulation_control/index_en.htm



7 Glossary and abbreviations

Term	Meaning
Consignor	Sender of Excisable Goods
Consignee	Receiver of Excisable Goods
(e-)AAD	(Electronic-) Administrative Accompanying Document
ARC	AAD Reference Code
EMCS	Excise Movement and Control System
EWSE	Early Warning System for Excise
FESS	Functional Excise System Specifications
FRS	Fallback and Recovery Specification
MSA	Member State Administration
MVS	Movement Verification System
SEED	System for Exchange of Excise Data



8 Further information on the European Union's Excise Movement and Control System (EMCS)

For more on the Excise Movement and Control System (EMCS) visit the European Commission's website at the following addresses:

What is EMCS?

http://ec.europa.eu/taxation_customs/taxation/excise_duties/circulation_control/index_en.htm

In this internet section you will find separate pages on:

- **EMCS information services/EMCS News**
- **EMCS in practice**
- **Legislation**
- **The EMCS computerisation project**

See also the section on **frequently asked questions:**

http://ec.europa.eu/taxation_customs/common/faq/index_en.htm

If you wish to be regularly informed of the EMCS project **subscribe to "EMCS News"**, the Commission's free newsletter, at:

http://ec.europa.eu/taxation_customs/taxation/excise_duties/circulation_control/index_en.htm

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Publisher: This leaflet is published by the European Commission's Taxation and Customs Union Directorate General.

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