

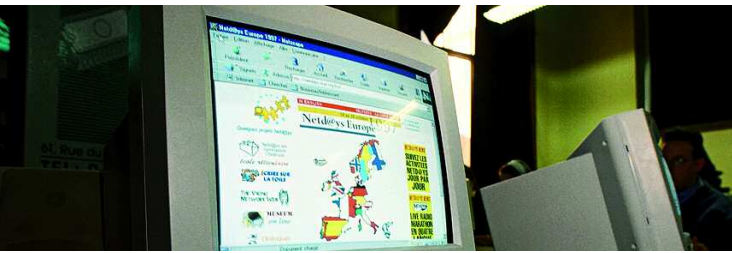


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EMCS NEWS

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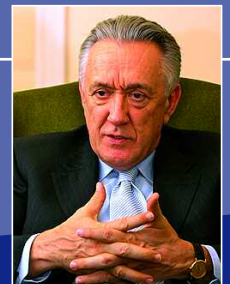
What is EMCS and why is it important to me ?

The Excise Movement and Control System will introduce electronic processing for declaring, monitoring and discharging movements of excise products under suspension of excise duties within the EU. EMCS will thus replace the current paper-based procedures. The new system will, from the time of the planned roll-out (2009) have a significant impact on how traders, transporters and producers fulfill their administrative excise obligations.

How can I stay informed about the project progress ?

The European Commission is working to keep interested parties informed about the project status, launching two initiatives to that effect. The first one is this newsletter, published twice a year, in which you receive a regular overview of the work in progress, together with some background information. The second one is the re-launch of the EMCS-related content on the Commission's website where you can find the most up-to-date information. (http://ec.europa.eu/taxation_customs/index_en.htm).

Editorial



Paperless excise procedures will make their appearance in the EU in the next few years. The new Excise Movement Control System (EMCS), devised in consultation with business, will transform the way traders and tax administrations will work in the future.

The various aspects and developments of EMCS will, from now on, be explained to stakeholders in a special European Commission newsletter called "EMCS News", whose first issue I am pleased to introduce.

The new system is under development and scheduled to be operational as from 2009. It will mean both simplification and increased legal certainty for traders and administrations. The greater use of Trans-European networks for communication between traders and excise authorities, and between excise authorities themselves will reduce the time needed for the discharge of tax liability for excise movements. At the same time this will provide excise authorities with the essential tools to effectively address fraud and hence protect legitimate trade. In this context, the EMCS Project lies at the heart of developing an effective e-Excise policy.

This ambitious project will be supported by a review and modernisation of the legal framework under which excise goods may be produced, stored and moved, and excise duties on such products are levied.

Enjoy reading the articles in "EMCS News". I look forward to receiving any suggestions, comments or observations you may have on the newsletter, its content or any aspect of the Excise Movement and Control System.

László Kovács
Commissioner for Taxation and Customs Union





EMCS in a nutshell

The EMCS project started out from an anti-fraud perspective, but it will provide solutions to other problems as well. It entails considerable technical and legal changes and will become fully operational as of 2009. Its success depends on all stakeholders, including traders, being involved.

The procedure for monitoring intra-community movements of excise goods (e.g. alcohol, tobacco and mineral oils) is at the heart of excise legislation. The basic principle is that all consignments of excise products on which no excise duty has yet been paid take place between authorised economic operators only and are accompanied by an Accompanying Administrative Document (AAD) completed by the consignor. The consignee then sends the consignor an acknowledgment of the receipt of the movement, thus discharging the consignor's liability. This procedure allows Member States to levy excise duties on excise products at their own rate and at the time when such products are released for consumption within their territories. It also allows traders to postpone payment of excise duty until the time that the goods reach the Member State where they will be placed on the market.

Mobilising IT to combat fraud

The procedure links the estimated 100 000 producers, traders and importers of excise goods within Europe who each year dispatch millions of consignments representing billions of euros in (suspended) duties.

Following a 1998 report of the EU Council's High Level Group on Tax Frauds, it became clear that a reform of the paper-based movement monitoring system was necessary in order to stem the tide of ever increasing abuses. As a first step Decision 1152/2003/EC was adopted providing the basis for the development of an electronic system replacing the current paper-based system. This



Decision foresees the implementation of the new system, called EMCS, by 2009.

The cornerstone of EMCS is the replacement of the paper AAD with an electronic record – the e-AAD. The e-AAD is drawn up by the consignor and sent electronically to the consignee, via the Member States of dispatch and of destination. The consignee upon arrival of the goods completes an

Some statistics

Number of operators involved
± 100 000
Number of intra-EU movements per year
± 4 000 000
Number of national movements per year
± 5 350 000

EMCS abbreviations

AAD Accompanying Administrative Document
e-AAD Electronic Accompanying Administrative Document
EMCS Excise Movement and Control System
FESS Functional Excise System Specifications
PSS Phasing and Scope Specification
SEED System for Exchange of Excise Data
SESS Security Excise System Specifications
TESS Technical Excise System Specifications

More abbreviations can be found on the Commission's website (in the glossary section at http://ec.europa.eu/taxation_customs/index_en.htm).

electronic report of receipt, which is sent to the consignor for discharge of the movement, again via the Member States of destination and dispatch.

Advantages of EMCS

EMCS will allow both Member States and traders to monitor movements electronically in real-time and will better secure these movements. It will expedite the discharge of movements and financial liabilities linked to them, thereby smoothening the functioning of the internal market. Modernisation of procedural requirements will allow for a reduction of the administrative burden for companies and administrations.

A technical and legal challenge

Clearly, introducing EMCS involves a considerable degree of technical and legal complexity. At present, the focus is on developing the system's common specifications, which have to be agreed by all Member States. This includes the Functional Excise System Specifications (FESS), providing the detailed description of all the processes which need to be computerised. As of 2007, the focus will move to developing EMCS in each Member State on the basis of the commonly agreed specifications. In parallel, it will also be necessary to review and modernise the legal framework required to introduce EMCS. This includes a review of Directive 92/12/EEC which should provide the legal basis for the use of data-processing techniques and where possible further simplification can be made.

When will EMCS become operational?

EMCS is scheduled to become operational in 2009 at the earliest when the first EMCS monitored movements will take place. Given the huge financial and economic implications of EMCS, it will be necessary to ensure a smooth transition to the new environment. In order to allow some flexibility, but also to make sure that any movement started under the new EMCS-system will be appropriately discharged using electronic means, it is foreseen that implementation



and roll-out will follow the 'Phasing and Scope Specification' (PSS) which is still under discussion with Member States.

Involving all traders

From the above, it is clear that EMCS is a very ambitious project, which needs the full commitment of all parties involved to be a success. This not only involves national administrations, European and national federations, but ultimately all traders engaged in the production, storage and distribution of excise goods under suspension of duties.

Check excise numbers via SEED-on-EUROPA

One of the recommendations of the High Level Group was to improve the database of registered traders as well as to provide an online interface to the trade. Many of these issues have been tackled in the current revised SEED version. A concrete example of a SEED improvement is the registration of economic operators and the possibility of consulting basic data on these operators via SEED-on-EUROPA. Queries containing the excise number of an economic operator will generate an automated response. If the excise number is valid for the current date, the answer will be "yes", and a list of the categories of goods for which the operator in question is licensed will be displayed. In all other cases the answer will be "no".

Work in progress

Much has been achieved so far, but many plans are still in the pipeline. Below is an overview of EMCS activities together with their (planned) dates of realisation. For the most up-to-date information, please visit our website.

Action	Realisation or planning
✓ Improvement of the current systems, in particular with regard to cooperation between Member States	Administrative cooperation in the field of excise has been reformed by Council Regulation 2073/2004
✓ Launch of SEED-on-EUROPA	October 2006
✓ Development of the EMCS System Specifications <ul style="list-style-type: none"> • Functional specifications (FESS) • Technical specifications (TESS) • Security specifications (SESS) • Phasing and Scope specification (PSS) 	Adoption: <ul style="list-style-type: none"> • September 2006 • November 2006 • November 2006 • Beginning of 2007
✓ Development of EMCS application specifications	2007
✓ Development of EMCS applications by Member States and by the Commission	2007/2008
✓ Proposal for a revision of Excise Directive 92/12/EEC	Proposal will be sent to the Council and European Parliament in the first half of 2007
✓ Development of information material: <ul style="list-style-type: none"> • Publication of a bi-annual newsletter • Re-launch of the EMCS component of the website of the Taxation and Customs Union Directorate General • Publication of information leaflets • Publication of an EMCS brochure 	<ul style="list-style-type: none"> • October 2006 (first issue) • October 2006 • 2006/2007 • 2007/2008



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