



# **EUROPEAN UNION HARMONIZED EXCISE TAXATION**

Occasional importation process

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## **ABSTRACT**

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This thesis was written with the intent to compile the information related to occasional importation process and European Union harmonized taxation into a single package. The process is based on European Union legislation and the aim of it is to unify the taxation within the internal market area. The national excise duties are not part of the occasional importation process but are partly linked to it.

The first part of the thesis discusses the occasional importation of goods subject to harmonized taxation. It is explained what the harmonization of certain duties means in practise. The importation process for commercial use as well as for private persons is reported. The guarantee setting is explained along with the tax declaration process and the payment of duties.

Legislation related to the occasional importation process of goods subject to harmonized excise duties is based on the European Union directives and council decisions. The aim of the legislation was to unify the taxation within the internal market and to set base levels for excise taxation in Member States. The legislation for the harmonized excise duties is explained. The harmonization is for duties on alcoholic beverages, tobacco products and energy products and fuels.

Related to the occasional importation for commercial use, introduction to the excise movement and control system is also included in the thesis. This system is set by the European Union legislation and used only when moving goods subject to the harmonized taxation within the internal market area. It is a computerized system for monitoring the movement of goods in the European Union Customs system.

The process of occasional importation of goods subject to harmonized excise duties is reported in more detail. The national excise duties related to the process are also gone through along with the possible problem points of the process. A practical example of the importation of wine from within the European Customs system is given.

The thesis is aimed to help both the customers and employees to further understand the occasional importation process and the reasoning behind it. Parts will be translated into Finnish for the usage in customs declaration customer service.

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Key words: harmonized excise duties, occasional importation, customs

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**ABBREVIATIONS AND TERMS**

AAD	Administrative Accompanying Document, a paper document that accompanied all movements of excise goods under suspension of excise duty within the EU before Jan 1 <sup>st</sup> 2011
e-AD	Electronic Administrative Document, used to initiate the movements of excise goods under suspension of excise duty within the EU after Jan 1 <sup>st</sup> 2011
EMCS	Excise movement and control system is a computerised system used for monitoring the movements of excise goods under suspension of excise duty within the EU
SEED	System of Exchange of Excise Data, A service that allows traders to consult the register of economic operators through the Internet

# 1 INTRODUCTION

## 1.1 Background and goals

This thesis involves a process description of occasional importation of goods subject to the harmonized excise taxation. It is commissioned by Tampere Customs. The currently existing Customs publications mainly focus on the customer perspective of the importation process and the internal information is not available as a single, comprehensive package.

The idea for this thesis developed during my practical training at Tampere Customs. My tasks were heavily involved with excise taxation and I was quite fascinated about it. The task I became most familiar with was processing the tax returns from individuals that had ordered goods subject to harmonized taxation from within the EU. The endless piles of tax returns involving mostly wines were a common task that I repeated more times that I really care to remember. I wanted to learn more about the process and all the steps involved in it, but most of the information was made for the customers and did not give a whole picture of all the tasks involved. I asked lots and lots of questions from my colleagues, who were luckily patient enough to answer them and show me the other parts of the process that were not involved with my trainee tasks.

I personally was not aware at all how much the Finnish Customs is involved with taxation before my summer at Tampere Customs. Even more surprised I became, when I found out that there are taxes, excise duties, which need to be paid on certain goods ordered from within the European Union. I would say that this is not a familiar subject to many private persons and during my training I also noticed that not all companies in Finland are aware of these excise duties. The harmonization of certain excise duties makes it easier for the customs to be able to collect all the necessary duties that might otherwise be “lost” to the lack of information.

If excise taxation seemed to be quite an unfamiliar subject to people who do not work in the field, the harmonized excise duties seemed to be even vaguer. An ordinary person, who would be interested in, for example, ordering wine from France to be delivered to Finland, might not at all be aware of the process involved. The European Union customs system has made the movement of goods inside its borders quite easy and maybe

also has made it seem like importation within it is not in any way related to customs operations.

I also noticed that the people working with the process at Tampere Customs were not all aware of the complete process. The workers at customs declaration often would deal with guarantees and tax returns at their work station, but were not aware what happened before, in between and after those parts of the process. The workers at excise taxation were the only ones who knew all the steps and they often had to be consulted with issues involving the process outside the expertise of customs declaration workers. Usually this was not an issue but during summer holidays, for example, there was no one at excise tax department to consult and that would be a problem for customers not so familiar with the process.

In this thesis I also explain the legislation behind harmonized excise taxation. The legislation aspect helps to comprehend why the harmonization was done in the first place and how it is implemented in European Union level and also on national level. The legislation also includes the base levels for harmonized excise taxation as well as the national excise duty on the products subject to it. The knowledge in this area might not be necessary to know by heart but it is needed for the guarantee setting process, which is a key part of the occasional importation process involving products subject to harmonized taxation.

After working with this process quite closely in summer 2012, I am quite confident to say that the process rarely has any problems. I therefore do not aim to improve it since in its current condition it works in most of the cases very well. Since the importation is occasional, it can be assumed that not everyone will know the process in and out and some might need more guidance with the procedures than other.

The aim of this thesis therefore is to gather all the information, written and non-written, relating to the process into a coherent process description. This will most likely help all the workers involved with the process to understand it better and thus they will be able to better advice customers about the flow of the process. The legislative background of the taxation might not be relevant in day to day work, but it helps to understand the different steps of the process in more depth and the reason behind them.

## 1.2 Finnish Customs

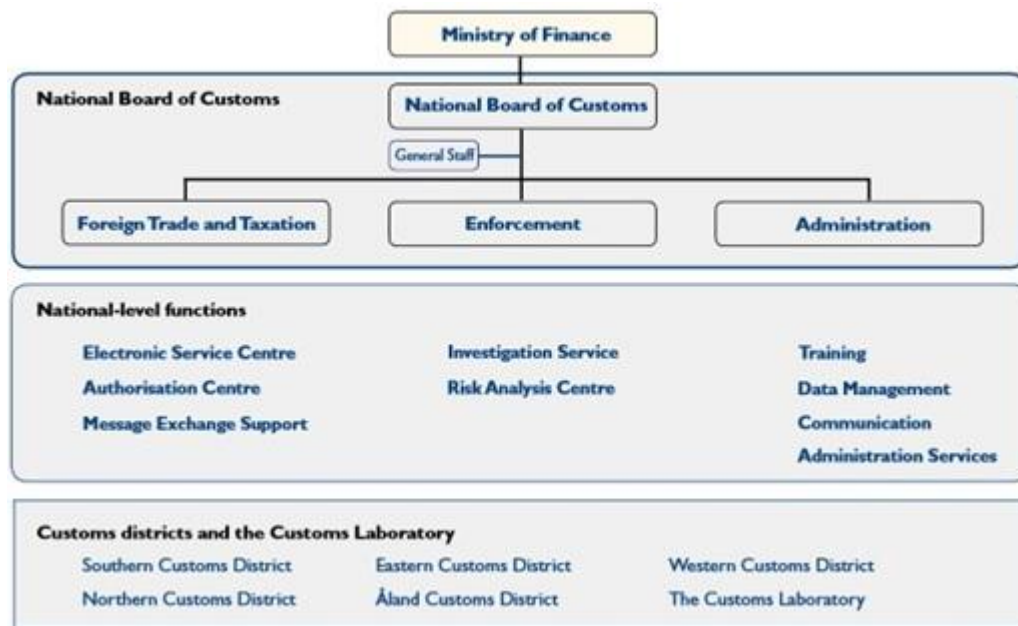
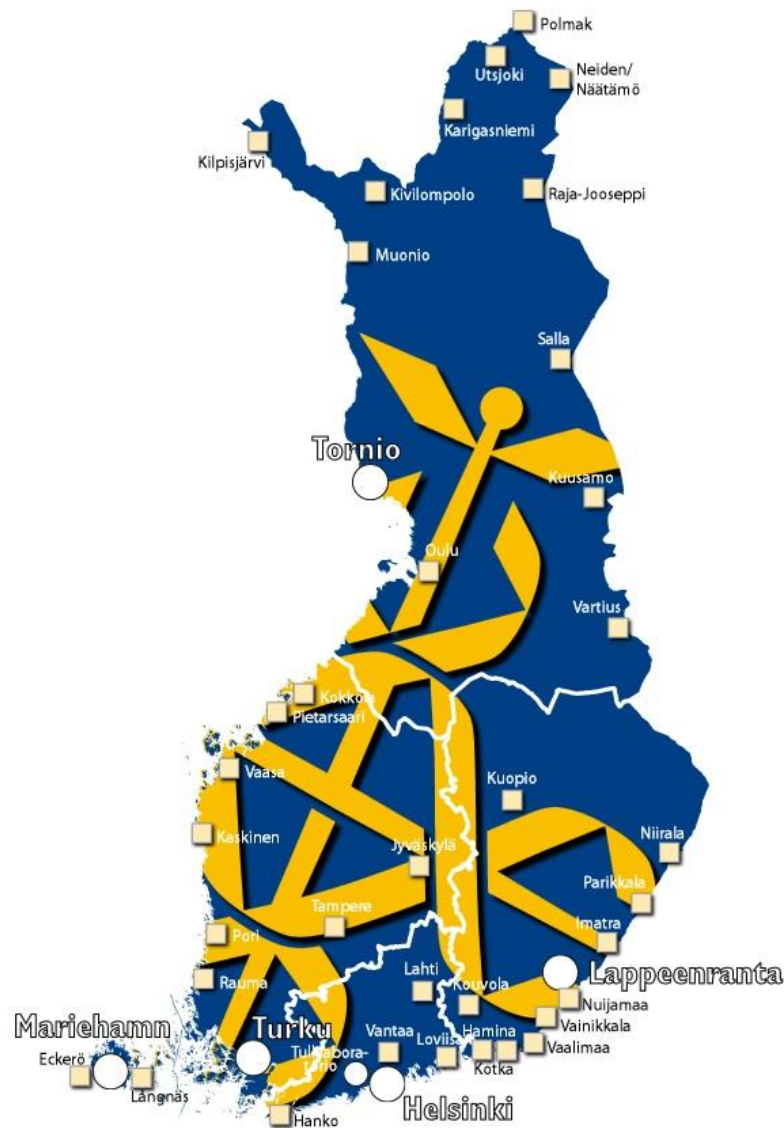


Figure 1. Organisation of Finnish Customs (Finnish Customs 2012, 24.)

The Finnish Customs is a part of the customs system of the European Union. Customs supervises the flow of legal goods and uncovers the illegal goods, applying measures in accordance with both national and international provisions. Finnish Customs have operations on 40 localities which of most are situated along the coast line and borders. The Finnish Customs is divided in to five different customs districts: Åland, Southern, Western, Eastern and Northern customs districts and “sixth district” is the Customs Laboratory in Helsinki. (Finnish Customs 2012, 24.)

In addition to facilitating international goods trade and ensuring compliance with provisions, Finnish customs also collects duties, taxes and charges not only on foreign trade but also on the production of goods. The tasks of Finnish customs also include contributions to ensure an undisturbed operation of the internal market of the European Union and combating customs crime and threats to health and safety as well as economic interests of Finland and the EU. (Finnish Customs 2012, 24.)



Picture 1. Locations of Finnish Custom offices (Finnish Customs 2012, 26.)

### 1.3 Tampere Customs

The specific commissioner from Finnish Customs for this thesis is Tampere Customs. Tampere Customs is a part of Finnish and the EU's customs system. Tampere Customs is part of the Western customs district, which is governed by the district headquarters in Turku. The headquarters of the customs district is in charge of the financial traffic and the customs offices in the area report to it.

Tampere customs has approximately 70 employees which are divided amongst customs declarations, car taxation, excise taxation, corrections, crime prevention and the mobile control unit. The four first mentioned departments work in the lower floor of the customs building where the customer service is also located. The co-operation between

different departments is tight and it is not uncommon for the employees to switch jobs internally.

#### **1.4 Excise taxation in Finland**

The goods subject to excise taxation are the following:

- Alcohol and alcoholic beverages
- Tobacco
- Liquid fuels
- Electricity and certain fuels
- Sweets, ice cream and soft drinks
- Beverage containers
- Oil waste
- Oil damage
- Waste

(Customs Publications: No 16 2013, 1-4)

Excise duties are collected from goods produced within the country as well as those that are imported from the inside or outside European Customs area. The duties on alcohol and alcoholic beverages, tobacco and liquid fuels are subject to the European Union harmonization. All the other duties listed are national excise duties and are therefore handled differently from the harmonized duties in importation procedures from within the EU.

From the beginning of 2011, extensive changes in excise taxation took place. The excise duty on sweets was re-introduced and with the change also ice cream became subject to excise duty. The excise duty on soft drinks was raised and the tax base now also included natural mineral waters. (Finnish Customs 2012, 7.)

The taxation of energy and traffic went through a major change towards a more effective environmental steering as well. The structure of energy taxation was revised so that the taxation of fuels is determined based not only on the energy content but also on the carbon dioxide emissions of the fuel. Biofuels were given reduced tax levels, which are

applied when the fuels meet the sustainability criteria laid out in an EU directive. (Finnish Customs 2012, 7.)

Authorised warehouse keepers, registered consignees and tax representatives have to submit a tax declaration, on a form, for every tax period, i.e. one calendar month, no later than the on the 18th day of the month following the tax period. Other taxpayers are to submit their declarations within four weekdays (Monday–Friday) after the receipt of the goods. If it appears at a check or otherwise that the goods have been imported or received without observing the provisions on taxation and control contained in the Act on Excise Duty, the four-day declaration period is not applied. (Customs Publications: No 16 2013, 10.)

In 2011, the Finnish Customs collected a total of 10.5 billion euros in revenue. Excise duties represent over half of this amount, total of 6 billion Euros. The largest profit in excise duties was from energy products, second by alcoholic beverages and tobacco products, respectively. There was growth in the revenue of all excise duties with the exception of alcoholic beverages, which went down by 0.3 percent from the previous year. The largest growth relatively was with the duties on sweets, ice creams and soft drinks with a 261.1 percent growth from the previous year. (Finnish Customs 2012, 10.)

## **2 OCCASIONAL IMPORTATION WITHIN EUROPEAN UNION**

### **2.1 Harmonized excise taxation in practise**

Excise duties are levied on goods produced in Finland, received from another EU member state or imported to Finland from outside the EU. Under a duty suspension arrangement, excise goods can be produced, processed, held and moved without payment of excise duty. The purpose of the arrangement is to facilitate the free movement of goods between member states. The suspension of excise duty allows goods to be moved only between licence holders. These include authorised warehouse keepers, registered consignors and registered consignees. Furthermore, the arrangement allows a temporary registered consignee to receive a specific consignment of goods. Excise duty must be paid when excise goods are released for consumption in Finland. The release for consumption takes place when the suspension of excise duty is no longer applied to the goods. (Customs Publications: No 16 2013, 5.)

### **2.2 Occasional importation**

Persons who receive excise goods randomly in the course of their business do not require a special licence from Customs for their operations. However, if goods subject to the harmonized excise duty are ordered, a one-off guarantee must be lodged for taxes collected for each import consignment before the goods are sent to Finland. This applies also to the Finland-based consignee of goods already taxed in another EU member state. The one-off guarantee is imposed by an excise duty office of Customs. (Customs Publications: No 16 2013, 12.)

#### **2.2.1 Commercial movements**

Temporary registered consignees may, for business purposes, at a specific time receive a specific quantity of products subject to harmonized excise duties moving under temporary duty suspension from another Member State or from a place of importation located in Finland. They may not hold or dispatch untaxed products. Before the products are dispatched, the trader is to notify the customs authority of the products to be dispatched and to provide a guarantee for the payment of the excise duty. After receiving the notification and the guarantee, the customs authority authorises the trader to act as a

temporary registered consignee. The authorisation is issued for one specific consignment received. (Customs Publications: No 6, 3.)

When moving products subject to harmonized excise duties under a duty suspension arrangement, traders are required to use a computerised system and an electronic administrative document. When products subject to harmonized excise duties and released for consumption in another Member State are moved to Finland, excise duties are levied on the products in Finland. The consignor must enclose a simplified accompanying document with the products in the Member State of dispatch. (Customs Publications: No 6, 3.)

Before the products are dispatched, a notification about their consignment must be sent to the customs authority and a guarantee be provided for them. No prior notification or guarantee is required when products subject to national excise duties are received. (Customs Publications: No 6 2013, 3.)

### **2.2.2 Importation by private persons**

Private persons bringing duty-paid goods into Finland from another EU member state do not have to pay excise duty, provided that the goods are intended for personal use. However, the exemption from excise duty of motor fuels brought in by a private person for personal use is restricted by law as regards quantities and ways of import. (Customs Publications: No 16 2013, 14.)

If a private person acquires the goods for commercial purposes or other business purposes, or if he does not bring the goods to Finland personally, he is liable to pay the duty laid down by the relevant act on excise duty. In such cases, private persons have to observe the provisions on the taxation and control of goods delivered for commercial purposes. (Customs Publications: No 16 2013, 14.)

A private person can only acquire products that have been released for consumption. If a private person acquires, for personal use, products from another Member State which are subject to excise duty and are transported to Finland by another private person or a professional trader, and their movement is not a case of passenger import or distance

selling, the person must pay excise tax in Finland for the products received. (Customs Publications: No 6 2013, 3.)

### **2.3 Guarantee process**

Before initiating a movement of products subject to harmonized excise duties, the private person must send a notification to the customs authorities about the products that are to be sent to Finland and provide a guarantee for the payment of the excise duties. (Customs Publications: No 6 2013, 3.)

Customs requires a guarantee for products subject to harmonized excise duties which is equivalent to the amount of the excise duty to be collected later. The guarantee form can be filled in at the offices of the Customs Districts and is also available on the Customs website. A proforma invoice or a commercial invoice and an order or a confirmation of order containing the necessary details about the consignor and the goods must be enclosed with the form. The guarantee must be provided and paid to the Customs District's pay office or bank account. The guarantee may also be furnished by fax or post, if appropriate. (Customs Publication: No 6 2013, 4.)

If the guarantees are provided for products subject to harmonized excise duties, and the products are moved under a duty suspension arrangement, the excise number of the buyer's authorisation is required for transporting the products within the EMCS system. The temporary registered consignee will receive this number from Customs' excise authorities after providing the guarantee. (Customs Publication: No 6 2013, 4.)

In the case of products subject to harmonized excise duties that have been released for consumption, a guarantee is provided as described above; however, the excise number of the buyers authorisation is not required. The guarantee should be provided immediately after the products have been ordered, as the seller may not send the products until he has received the first copy of the guarantee form endorsed by Finnish Customs. (Customs Publications: No 6 2013, 4.)

## **2.4 Tax declaration**

A temporary registered consignee or other occasional importer has to file a tax declaration with the Customs District in the area in which he has his domicile. The declaration must be filed within four working days (Mon-Fri) from the day of receipt of the products or the day on which the obligation to pay excise duty otherwise arose, including that day. He may also send the tax declaration by post within the same time limit. The declaration time limit of four working days is not applied if it is discovered at a control or otherwise that the products have been imported or received without observing the provisions on taxation and control laid down in the Excise Taxation Act. (Customs Publications: No 6 2013, 5.)

Declaration forms, separate for each type of excise duty, are available at customs offices and on the Customs website. A copy of a proforma or commercial invoice must be enclosed with the tax declaration. (Customs Publications: No 6 2013, 5.)

The computerised EMCS system is to be used when moving products subject to harmonized excise duties under duty suspension. A temporary registered consignee must by using this system issue a report of receipt for the products no later than five working days from the date the movement ended. (Customs Publications: No 6 2013, 5.)

When receiving products that have been released for consumption in the country of departure, other occasional importers should annex to the tax declaration a copy of the second copy of the simplified accompanying document or, alternatively, another document accepted by Customs. The quantities of products should be entered in the declaration as full units (e.g. 55.55 kg => 55 kg). After having received the tax declaration, the Customs District issues a tax decision and mails it to the customer. (Customs Publications: No 6 2013, 5.)

## **2.5 Duty payment**

A temporary registered consignee or other occasional importer has to pay the excise duty within ten working days of receiving the products. A bank giro form to be used for making the payment is enclosed with the tax decision. If a guarantee has been provided, Customs offsets the excise duty against the guarantee, and in case the guarantee exceeds

the amount of the duty, repays the excessive amount to the bank account mentioned by the consignee of the products in the guarantee form. (Customs Publications: No 6 2013, 5.)

If the guarantee is insufficient to cover the excise duty, the trader must pay the missing amount within ten working days of receiving the products in accordance with the bank giro form enclosed with the tax decision using the reference number given in the form. If no guarantee has been provided (national excised duties and imports from outside the EU), the excise duty must be paid within ten working days of receiving the excisable products. (Customs Publications: No 6 2013, 5.)

### 3 EUROPEAN UNION HARMONIZED EXCISE DUTIES

The "EU harmonized excise duties" are the commonly applied excise duties for which the legislation on EU level was mainly adopted in the context of the establishment of the Internal Market on 1 January 1993. They are applied in all Member States on three product groups:

- Alcoholic beverages
- Manufactured tobacco products
- Energy products (motor fuels and heating fuels, such as petrol and gasoline, electricity, natural gas, coal and coke).

(European Commission 2012.)

Excise duties are indirect taxes on the consumption or the use of certain products. In contrast to Value Added Tax (VAT), they are mainly specific taxes, i.e. expressed as a monetary amount per quantity of the product.

#### 3.1 Alcoholic beverages

##### 3.1.1 Legislation

The council directive 92/83/EEC on alcohol and alcoholic beverages

- defines the various categories of alcoholic beverages
- prescribes the basis of the excise duty calculations
- introduces the reduced rates (for smaller breweries, distilleries and certain drinks) as well as special provisions to certain regions of Spain
- in the UK grants derogations to exempt "black" beer and angostura bitters

(EUR-lex: Council Directive 92/83/EEC 2012.)

The second council directive on the subject, 92/84/EEC, is the approximation of the rates of the excise duty on alcohol and alcoholic beverages. It sets the minimum rates for the duties:

- For alcohol (spirits), 550€ per hectolitre of pure alcohol
- For intermediate products, 45€ per hectolitre of product

- For beer, 0.748 € per hectolitre per degree Plato, or 1.87€ per hectolitre per degree alcohol, of finished product
- For wine and sparkling wine, no minimum is set

It also provides for reduced rates for certain departments and islands of the Hellenic Republic, certain regions of Italy and for Portugal, Madeira and the Azores.

(EUR-lex: Council Directive 92/84/EEC 2012.)

There is also a third council directive for the mutual recognition of procedures for the complete denaturing of alcohol for the purposes of exemption from excise duty. This Regulation implements Article 27(1)(a) of Council Directive 92/83/EEC for the complete denaturing of alcohol and sets down the various formulations of denaturants in the Member States. (EUR-lex: Council Directive 92/83/EEC 2012.)

In addition to these, there is legislation related to these matters in the form of three council decisions. These decisions are authorisations for France to apply a reduced rate of excise duty on traditional rum produced in its overseas departments and repealing Decision 2002/166/EC, Portugal to apply a reduced rate of excise duty on locally produced beer in the autonomous region of Madeira as well as Portugal to apply a reduced rate of excise duty in the autonomous region of Madeira on locally produced and consumed rum and liqueurs and in the autonomous region of the Azores on locally produced and consumed liqueurs and eaux-de-vie. (European Commission, 2012.)

### 3.1.2 Excise duties in Finland

Excise duty is collected on alcoholic beverages according to alcoholic strength by volume and product group.

Alcohol content %	Amount of tax
<b>Beer</b>	
Over 0,5 but no more than 2,8	4,00 cents per centilitre of ethyl alcohol
Over 2,8	29,90 cents per centilitre of ethyl alcohol

Alcohol content %	Amount of tax
<b>Wines and other fermented alcoholic beverages</b>	
Over 1,2 but no more than 2,8	11,00 cents per litre
Over 2,8 but no more than 5,5	159,00 cents per litre
Over 5,5 but no more than 8	224,00 cents per litre
Over 8 but no more than 15	312,00 cents per litre
<b>Wines</b>	
Over 15 but no more than 18	312,00 cents per litre
<b>Intermediate products</b>	
Over 1,2 but no more than 15	379,00 cents per litre
Over 15 but no more than 22	625,00 cents per litre
<b>Ethyl alcohol (tariff code 2208)</b>	
Over 1,2 but no more than 2,8	4,00 cents per centilitre of ethyl alcohol
Over 2,8	43,40 cents per centilitre of ethyl alcohol
<b>Others</b>	43,40 cents per centilitre of ethyl alcohol

Table 1. Alcoholic beverage taxation. (Finnish Customs, 2013.)

## 3.2 Manufactured tobacco products

### 3.2.1 Legislation

The structure and rates of excise duty on the products is determined in the council directive 2011/64/EU. The directive:

- defines the various categories of manufactured tobacco
- lays down the general principles governing taxation
- provides for an overall minimum excise duty of 57% of the weighted average retail selling price of cigarettes
- provides for a minimum amount of excise duty of 64 Euro per 1000 cigarettes irrespective of the weighted average retail selling price
- determines the minimum rates for fine-cut smoking tobacco intended for the rolling of cigarettes as well as for cigars and cigarillos and other smoking tobaccos

(EUR-lex: Council Directive 2011/64/EU 2012.)

### 3.2.2 Excise duties in Finland

The duty is based on the retail value of the product. On cigarettes, smoking tobacco and fine cut smoking tobacco there is also a unit-based duty. For cigarettes and fine cut smoking tobacco the duty is always at least the minimum amount set on the taxation table. Imported tobacco products intended for non-commercial use, the minimum retail price of similar product sold in Finland is used for the basis. In case there are no similar products available, the excise duty on cigarettes and fine cut smoking tobacco is set to the minimum according to the taxation table. For other tobacco products the taxable value is considered to be the average retail price of the product group and it is confirmed by National Board of Customs. (Finnish Customs, 2013.)

<b>Products</b>	<b>Euros/unit</b>	<b>Percentage of retail value</b>
Cigarettes	22,50/1000 pc.	52,0
<i>Minimum tax for cigarettes</i>	146,00/1000 pc.	-
Cigars and cigarillos	-	27,0
Fine cut smoking tobacco	16,50/kg	52,0
<i>Minimum tax for fine cut smoking tobacco</i>	87,50/kg	-
Other smoking tobacco	13,50/kg	48,0
Cigarette paper	-	60,0
Other products with tobacco	-	60,0

Table 2. Tobacco taxation (Finnish Customs, 2013.)

### 3.3 Energy products and electricity

#### 3.3.1 Legislation

The structure and rates of excise duty on the products is determined in the council directive 2003/96/EC. The directive:

- reduces distortions of competition that currently exist between Member States as a result of divergent rates of tax on energy products;
- reduces distortions of competition between mineral oils and the other energy products that have not been subject to Community tax legislation before it

- increases incentives to use energy more efficiently (to reduce dependency on imported energy and to cut carbon dioxide emissions)
- allows Member States to offer companies tax incentives in return for specific undertakings to reduce emissions. (EUR-lex: Council Directive 2003/96/EC 2013.)

### **3.3.2 Excise duties in Finland**

Liable to pay excise duty on electricity are mainly electricity producers and (electricity) network operators, who have to register with Customs. The excise duty on electricity is graded into a lower (II) and a higher (I) category. The lower duty is charged on electricity which is used in industrial manufacturing or professional greenhouse cultivation and measured separately. Network operators pay excise duty for the electricity they deliver for consumption during a tax period. Electricity producers are taxed on the basis of the electricity produced during a tax period, from which the electricity used by their own machinery and that delivered to networks is deducted. Those liable to pay excise duty on electricity are subject to the provisions on registered consignees contained in the Act on Excise Duty, except as regards the authorisation and guarantee procedure. (Customs Publications: No 21 2013.)

Excise duty on liquid fuels is levied e.g. on petrol and diesel oil as well as on light and heavy fuel oil, aviation petrol and jet fuel. In addition, any products used as motor fuels are subject to this excise duty. Thus, all fuels delivered for use in spark-ignition engines are taxed as petrol (e.g. motor petrol, carburettor spirit, biofuels and special fuels). Correspondingly, fuels other than normal diesel oil are also taxed as diesel oil when delivered for use in diesel engines. The duty is also levied on mineral oils and hydrocarbons used for heating purposes (e.g. paraffin oil). (Customs publications: No 21 2013.)

Exact rates for liquid fuels can be seen in Appendix 1 and for electricity and certain fuels in Appendix 2.

## **4 EXCISE MOVEMENT AND CONTROL SYSTEM**

Excise movement and control system, EMCS, is a computerised system used for monitoring the movements of excise goods under suspension of excise duty within the EU, in example for which no excise duties have yet been paid and it was taken in to use April 1<sup>st</sup> 2010. Before that, a paper document called Administrative Accompanying Document or AAD was used which has now been replaced by electronic messages from the consignor to the consignee via Member State administrations. All excise good movements must now be initiated using EMCS. (EUR-lex: EMCS overview 2013.)

The launch of EMCS meant:

- Simplification of procedures
- Paperless administration
- Secure movement of goods (Traders' data will be checked before the goods are dispatched)
- Quicker release of the guarantee for traders (Evidence that the goods arrived at their destination will come faster in a safer way)
- Effective monitoring with real time information and checks during movements.

(EUR-lex: EMCS overview 2013.)

### **4.1 Legislation**

The legal foundation for the development of EMCS is Decision n° 1152/2003/EC of the European Parliament and of the Council, dated 16 June 2003 to computerise the system under which excise duty goods are moved between authorised traders in the Community under duty-suspension arrangements. (EUR-lex: EMCS overview 2013.)

It is mentioned in the decision that establishing the computerised system serves to enhance the internal-market aspects of the movement of excisable goods. The system was intended to permit the electronic transmission of the accompanying document provided for in Regulation (EEC) No 2719/92, and the improvement of checks as well as improve the functioning of the internal market, by simplifying the intra-Community movement of products under excise duty suspension arrangements, and by affording Member States the possibility of monitoring the flows in real time and of carrying out the requisite checks where necessary. (EUR-lex: Decision no 1152/2003/EC, 2013.)

## 4.2 EMCS in practise

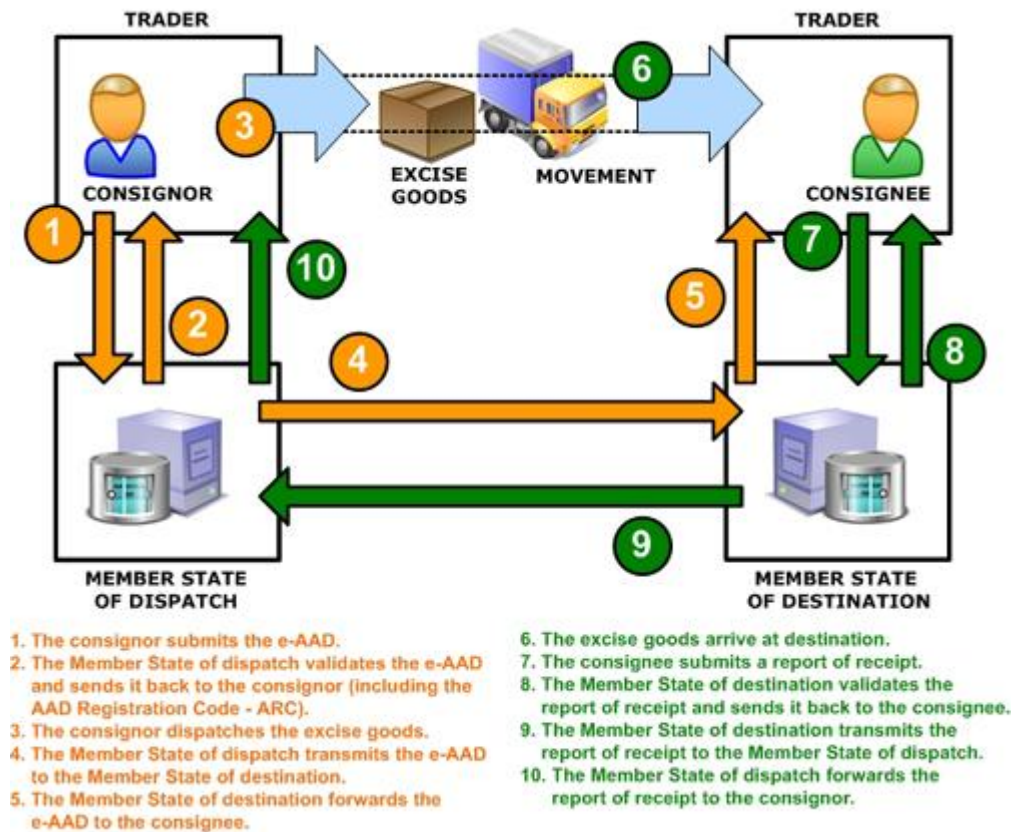


Figure 2. EMCS procedures in practise. (EUR-Lex: EMCS in practise 2013.)

An electronic Administrative Document or an e-AD is electronically submitted by the consignor and validated by the Member State of dispatch. In particular, the excise numbers of the consignor and the consignee are matched against a European register of operators (SEED). The e-AD is electronically transmitted to the Member State of destination, which forwards it to the consignee. Upon reception of the goods, the consignee, or another actor on his behalf, submits a "report of receipt", on which possible anomalies including shortages or excesses are also mentioned. (EUR-lex: EMCS in practise 2013.)

A service called SEED-on-EUROPA allows traders to consult the register of economic operators (System of Exchange of Excise Data or SEED) through the Internet. SEED-on-EUROPA indicates whether or not a given excise number is valid at the date of consultation; if the answer is yes, the list of categories of goods for which the relevant operator is authorised is also given. (EUR-lex: EMCS in practise 2013.)

## 5 OCCASIONAL IMPORTATION PROCESS FROM THE EUROPEAN UNION CUSTOMS SYSTEM

The occasional importation process from within the European Union customs area is quite similar for commercial purposes as it is for private persons. The main difference comes from the usage of EMCS in commercial importation which is not used for importation of goods released to consumption by private persons. The guarantee process, tax declarations and duty payment is quite similar for both.

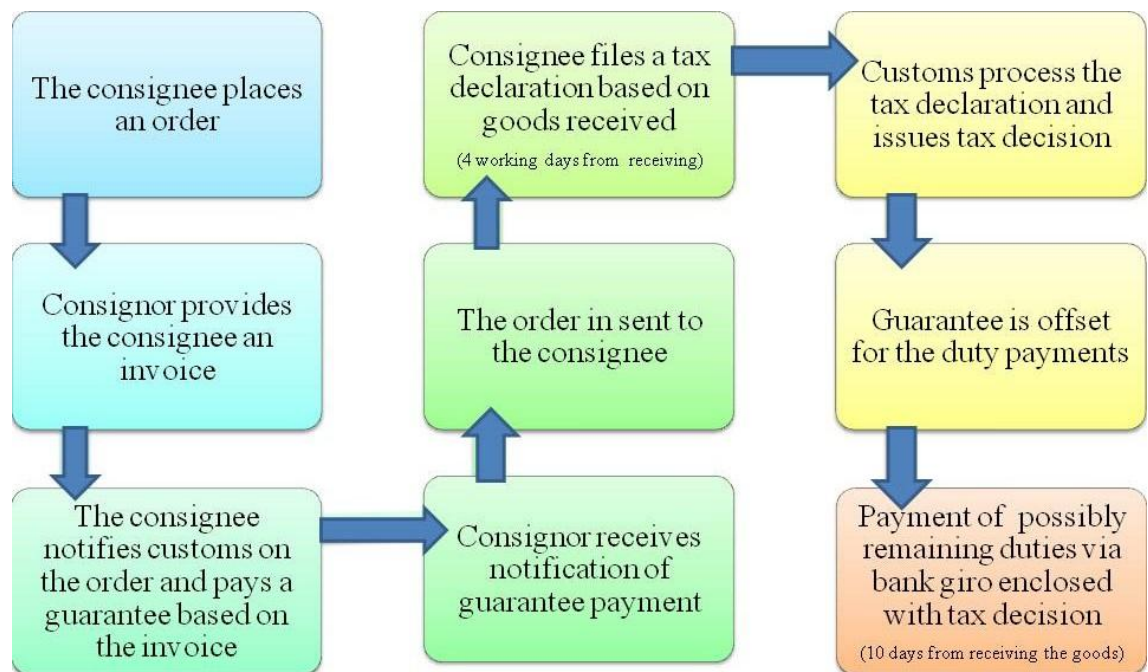


Figure 3. Simplified model of the occasional importation process.

### 5.1 Importation process

#### 5.1.1 Process for commercial importation

A temporary registered consignee may for business purposes receive a certain amount of goods at a specific time from another Member State or from within Finland, which are subject to harmonized excise taxation, under temporary duty suspension. These products are not allowed to be held or dispatched before the duty is paid. When products that are subject to harmonized excise duties under a duty suspension arrangement are moved, traders are required to use a computerised system, EMCS, and an electronic administrative document, e-AD.

When products subject to harmonized excise taxation are being dispatched, the trader is to notify the customs authority of this and provide a guarantee to cover the payment of excise duty on these goods. After receiving this information, the customs authority authorises the trader to act as a temporary registered consignee. The authorisation is issued for one specific consignment received.

If goods which are subject to harmonized excise taxation and released to consumption are moved to Finland from another Member State, the excise duties are paid in Finland. Before the products can be dispatched, a notification and a guarantee must be provided to the customs authority. No notification or guarantee is required for goods subject to the Finnish excise duties.

### **5.1.2 Process for private persons**

A private person is only allowed to acquire goods that have been released into consumption. If the goods are not brought to Finland via distance selling or passenger import process, they are subject to this occasional importation process relating to harmonized excise taxation.

The private person needs to inform the customs of the order and provide a guarantee for the customs of the Member State of destination before movement of goods. The process is only required for goods subject to harmonized excise taxation and no notification or guarantee payment is required from a private person when occasionally importing goods subject to national excise duty.

## **5.2 Guarantee process**

All goods that are subject to the European Union harmonized excise taxation require a guarantee to be paid to the customs of Member State of destination. Without the guarantee, the consignor is not able to dispatch the products from their Member State. The guarantee must cover the entire amount of duties to be paid of the goods subject to harmonized excise taxation. The guarantee assures that the Member State of destination will get the duties from these goods.

The guarantee is calculated based on the proforma invoice or commercial invoice received by the consignee from the consignor. The invoice should contain all the neces-

sary information of the consignor as well as the amounts of goods ordered. The guarantee is calculated purely on the basis of the invoice provided by the consignee. The information needed for the calculation, the taxation tables of different excise duties, are found on the Finnish Customs website for anyone to access. It is not required for the consignee to calculate the amount themselves, but it is possible to do it.

The guarantee form is filled with the necessary data from the consignee and the invoice. The guarantee is paid at the customs office or to the Customs bank account. After the guarantee is paid, a docket number is issued for the guarantee which will be used for the tax declaration by the consignee when the goods are received. The guarantee should be paid as soon as the order has been made since the consignor will not be able to send the goods from the Member State of dispatch to the Member State of destination before guarantee procedures are completed and they have received the copy of the guarantee form signed and docketed by the customs.

If the guarantees are provided for products subject to harmonized excise duties which are moved under a duty suspension arrangement, the excise number of the buyer's authorisation is required for transporting the products within the EMCS system. The temporary registered consignee will receive this number from Customs' excise authorities after providing the guarantee.

It should be noted, that providing a guarantee does not equal to a tax declaration. The guarantee is based on the information at hand before delivery of goods and tax declaration should always be made when goods are delivered.

### **5.3 National excise duties in guarantees**

The guarantee is needed for the importation process to be able to continue. The guarantee is required only for the harmonized excise duties and it is not mandatory when importing goods only subject to national excise duties. The national excise duties in Finland include duties for sweets, ice cream and soft drinks, beverage containers, oil waste, oil damage and waste.

Most commonly the national excise duty linked with the harmonized excise duties is the duty on beverage containers. Most alcoholic beverages, which are subject to the har-

monization, are delivered in beverage containers that are dutiable in Finland. The guarantee is only required for the alcohol duties but it is also possible to provide it for the full amount of the excise duties, including the beverage container duty. In the event of the guarantee not covering the amount of national excise duties, it can be billed afterwards when tax declaration is processed.

#### **5.4 Tax declaration process**

The tax declaration needs to be made within four working days from receiving the goods. Working days are considered to be from Monday to Friday and the four day limit is also applied for declarations send by post. The declaration forms for all types of excise duties are provided at customs offices as well as on the web pages of Finnish Customs.

The declaration is made based on the goods received and needs to be accompanied by an invoice showing the amounts in the order. The amounts should be marked in full units, litres or kilograms according to which is relevant for the goods. If national excise taxation is applied for the products, such as the beverage container duty, a declaration must be made for those as well at the same four day limit.

The computerised EMCS system is to be used when moving products subject to harmonized excise duties under duty suspension. A temporary registered consignee must by using this system issue a report of receipt for the products no later than five working days from the date the movement ended. It is the consignee's responsibility to issue the report through the system.

#### **5.5 Duty payment process**

The excise duties are due within ten days of the receiving of the products. The duties are based on the tax declaration which has been made within four working days from receiving the products. It is based on the actual amount of the goods, not on the original order confirmation or amounts declared in the guarantee form.

The tax declaration is processed in the customs excise duty department, which will then issue a tax decision based on it. The tax decision comes with a bank giro, which is used

to pay the excise duties dues. If a guarantee has been provided, the customs offsets the excise duty against the guarantee. If the guarantee is equal to the duties to be paid, there is no action required from the consignee and they will receive only a tax decision.

In the case of the guarantee exceeding the amount of duties to be paid, the excess is returned to the consignee to the bank account which is marked on the guarantee form. This is usually the case if the number of goods delivered is smaller than the number of goods actually received. In the opposite case of the guarantee not covering the whole amount of excise duties to be paid, a bank giro is issued with the tax decision with the amount that is still due. There is ten days for the consignee to make the remaining payment. Since the guarantee is not required to cover national excise duties, the amount usually consists of e.g. beverage container duty.

## **5.6 Possible problems related to the process**

Since the process involves occasional importation it is reasonable to expect especially private persons not being familiar with all the tasks and procedures involved with it. It seems like a quite simple process on paper and the time limits are clearly laid out. However, since the guarantee is required for the goods subject to harmonized excise duties, it may seem to a common person that the taxes have already been paid where in fact a tax declaration is still needed, when goods are received.

The customs authority has records of all the guarantees paid in its governmental area but it is quite impossible to monitor them all. Sometime deliveries can be delayed due to unforeseen problems, such as the consignor running out of stock or similar. The guarantee is not in a sense time-bound, but order-bound so if no order is delivered, the guarantee needs to be revoked by the person who paid it.

Failure to provide a tax declaration within in the four working day period from receiving of goods cannot be explained by lack of knowledge. It should be clear to the consignee that even if a guarantee is paid, tax declaration is always mandatory when goods have been received even when there are no duties to be paid.

## 6 EXAMPLE OF OCCASIONAL IMPORTATION

Ian Importer found a wonderful winery in southern France during his holidays. Ian bought a case of wine from the winery and now expects it to be delivered to his house. What should Ian do?

### 6.1 Guarantee payment

In France, Ian was told by the winery that in order for them to send the wine directly to his house, he needs to pay a guarantee for his local customs office. Ian checks the web pages of Finnish Customs, but is not quite sure what this guarantee means. He decides to visit the nearest customs location.

At the customs, Ian is told that the wine he has purchased in France is subject to the harmonized excise duties. If he wants the wine delivered to his home, he has to pay a guarantee to cover the excise duties due for his wine when they are delivered to Finland. Ian Importer has the invoice from the French winery, which shows the amount and the nature of the wine he ordered. Using the excise taxation tables for alcoholic beverages, they are able to count the exact duties due for this shipment.

Ian Importer fills out the guarantee form, stating the amounts of wine he has ordered. The customs officer tells Ian that he is only required to pay the guarantee for the harmonized duties but he will also need to pay the beverage container tax on the bottles. Ian decides that it would be best to pay the guarantee to cover the beverage container tax as well.

After paying the guarantee amount, Ian Importer is given a docket which he has to use in his tax declaration after receiving the goods. Ian is also reminded that he needs to return the tax declaration within four days of receiving the wine. Ian sends one copy of the guarantee form to the French winery in order to notify them that the guarantee has been paid and they are able to send the wine to Ian's home.

## **6.2 Tax declaration**

Ian Importer has now received the case of wine he was expecting from France. He checks to see if the delivery matches the order he had made. It seems that Ian got exactly what he ordered, no more or less. Ian now needs to fill in the tax declaration for alcoholic beverages as well as for the beverage containers (bottles).

For the tax declarations, Ian Importer fills in the required information about the quantity and nature of the wines he received. He uses full litre amounts for both tax declaration forms. In the tax declaration form Ian also marks down the guarantee docket in its appropriate place. After filling the form and signing it, Ian Importer brings the filled out tax declaration forms and the correct invoice to the customs office. All this has to be done within four working days from receiving the shipment.

## **6.3 Duty payment**

After Ian Importer's tax declaration has arrived to the customs, it is handed over to the excise taxation department for processing. The tax declaration is checked against the invoice provided as well as the correspondence for the paid guarantee. The data is then put in to the computerised tax system which forms a tax decision based on the provided information. This is done for both tax declarations so two tax decisions will be given to Ian; one for the wines and one for the bottles.

Since Ian Importer paid the guarantee to cover both the harmonized duties as well as the national excise duties, he is not issued a bank giro to pay the duties. The tax decisions are mailed to Ian and both will state that the due amount is covered by the guarantee. In the case of the amounts differing from the guarantee payment, Ian could also be issued with a bank giro to pay the remaining amount or given a refund on the guarantee if the amounts delivered were lower.

Now Ian Importer can enjoy his wines! If Ian decides to do this again, he is now able to complete most of the process from his home. He can ask the customs office for an account number which he can use to pay the guarantee directly from his own bank account to avoid driving all the way to the customs office to pay it in person. Ian may also return the tax declarations via mail within the same four working days. Now Ian Importer

knows what a guarantee is, what are harmonized excise duties and how they affect his wine hobby.

## 7 DISCUSSION

The aim of this thesis was to collect the information related to the occasional importation process and European Union harmonized excise taxation. The process itself is not that complicated, but it is unfamiliar to many people and even the customs officers working with matter relating to it are not always clear on how the process works in its entirety. The information has been available for both the customers and employees, but not as single package including the legislation and current amounts for the excise duties. This thesis now includes the previously available material provided by customs, the legislation on the European Union level relating to it as well as a simplified process description and example.

The theory and background of this process is mostly outlined in the European Commission's decisions and the directives the council has approved. The legislation might not be completely relevant to the worker at customs declarations but it is the reason behind the procedures and practises related to this process. The legislation dictates the monetary amounts of the excise duties and also regulates the movement of goods within the European Union customs system. It is not important for the everyday person to know the directives and legislation by heart, but it is of importance to understand why things are done the way they are and what is the basis for it.

The actual occasional importation process has many phases. The individual worker taking the payment for the guarantee or receiving the filled out tax declarations might not have any idea what happens before, after or in between those two phases. From personal experience at working in customer service, it has become apparent that the questions customers come up with are not always necessarily linked with the job description and knowledge from other areas of company operations is always useful. Having at least some idea of what the process of occasional importation involves as a whole may help providing better customer service and guidance for those customers who really are doing the importation only occasionally and have no idea how to proceed and what to expect and do during the process.

The custom publications relating to this matter are made for customers and involve a lot of specific terms related to the process. It may not be clear to someone uneducated in this area as what is meant by certain sentences and what is relevant to the individual

importation case at hand. The mixing of private persons and commercial importation might make it harder to understand what Ian Importer has to do when he has ordered a few cases of wine from a winery in France to his own house in Tampere, Finland. If the employees are better aware of the process, they are able to help the individuals better to comprehend what is expected of them.

An example of a private person's occasional importation process is included in this thesis. The aim of the example is to make the process clearer for both the employees and customers. Using an example of wine importation gives a more practical use for the previously mentioned procedures. In the example, all the steps of the process are gone through with relation to a usual importation. It can be used by both the employees and customers. No difficult terms are used in that part and it has been made as simple as possible. This example goes through all the steps that are involved in an occasional importation process for an individual and lists the necessary forms and time limits in it. After reading the example, it should be clear to the reader what is expected from an individual who is importing good subject to harmonized excise duties.

There have not been many problems with the process in the past and as mentioned in the introduction, the aim in this thesis is not to alter the process or improve it. The current situation seems to be working just fine and as planned. The only problems are related to customers understanding their duties and responsibilities and following the instructions. Perhaps acknowledging the possible information gap is enough to prevent those from happening. The customs workers can emphasize more of the customer's responsibilities in regards to tax declaration and payment of duties.

This thesis was written in order to put all the information related to occasional importation process and excise taxation into a single package. The legislative background and reasons behind the operations was explained and the current information of the process was gathered from the available sources. The process was explained in one chapter, step by step and it also included some thoughts on what could be the possible problem points for customers. The example of an importation process brings a more practical aspect to the thesis and helps to understand all the related, more theoretical information.

Parts of this thesis will also be translated into Finnish and those will be delivered to Tampere Customs along with the thesis. The translations will be made for the chapter

explaining the occasional importation process as well as for the chapter on example importation. These translations will be given to customs declarations to assist with customer service related to occasional importation.

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## APPENDICES

## Appendix 1. Taxation of liquid fuels in Finland

Product	Product category	Energy content tax	Carbon dioxide tax	Strategic stockpile fee	Total
Motor gasoline c/l	10	50.36	14.00	0.68	65.04
Small engine gasoline c/l	11	30.36	14.00	0.68	45.04
Bioethanol c/l	20	33.05	9.19	0.68	42.92
Bioethanol R c/l	21	33.05	4.59	0.68	38.32
Bioethanol T c/l	22	33.05	0.00	0.68	33.73
MTBE c/l	23	40.91	11.37	0.68	52.96
MTBER c/l	24	40.91	10.12	0.68	51.71
MTBET c/l	25	40.91	8.87	0.68	50.46
TAME c/l	26	44.06	12.25	0.68	56.99
TAMER c/l	27	44.06	11.14	0.68	55.88
TAMET c/l	28	44.06	10.04	0.68	54.78
ETBE c/l	29	42.49	11.81	0.68	54.98
ETBE R c/l	30	42.49	9.62	0.68	52.79
ETBE T c/l	31	42.49	7.44	0.68	50.61
TAE c/l	32	45.64	12.68	0.68	59.00
TAE R c/l	33	45.64	10.85	0.68	57.17
TAE T c/l	34	45.64	9.01	0.68	55.33
Biogasoline c/l	38	50.36	14.00	0.68	65.04
Biogasoline R c/l	39	50.36	7.00	0.68	58.04
Biogasoline T c/l	40	50.36	0.00	0.68	51.04
Diesel oil c/l	50	30.70	15.90	0.35	46.95
Diesel oil para c/l	51	24.00	15.01	0.35	39.36
Biodiesel oil c/l	52	28.14	14.57	0.35	43.06
Biodiesel oil R c/l	53	28.14	7.29	0.35	35.78
Biodiesel oil T c/l	54	28.14	0.00	0.35	28.49
Biodiesel oil P c/l	55	24.00	15.01	0.35	39.36
Biodiesel oil P R c/l	56	24.00	7.51	0.35	31.86
Biodiesel oil P T c/l	57	24.00	0.00	0.35	24.35
Light fuel oil c/l	60	9.30	9.34	0.35	18.99
Light fuel oil, sulphur-free c/l	61	6.65	9.34	0.35	16.34
Biofuel oil c/l	62	6.65	9.34	0.35	16.34
Biofuel oil R c/l	63	6.65	4.67	0.35	11.67
Biofuel oil T c/l	64	6.65	0.00	0.35	7.00
Heavy fuel oil c/kg	71	7.59	11.34	0.28	19.21
Kerosene-type jet fuel c/l	81	54.76	15.28	0.35	70.39
Aviation gasoline c/l	91	49.88	13.56	0.68	64.12
Methanol c/l	100	25.18	7.00	0.68	32.86
Methanol R c/l	101	25.18	3.50	0.68	29.36
Methanol T c/l	102	25.18	0.00	0.68	25.86
If the refund applicant cannot provide a reliable account of the composition of the acquired fuel, the refund rate is as follows:					
Gasoline E 10					61.62
Gasoline E 5					62.65
Diesel oil					39.49
Light fuel oil	64	6.65	0.00	0.35	7.00

## Appendix 2. Taxation of electricity and certain fuels in Finland

Product	Product category	Energy content tax	Carbon dioxide tax	Strategic stockpile fee	Total
Coal, coal brickets, solid fuels produced from coal (€/t)	1	47.10	84.43	1.18	132.71
Natural gas (€/MWh)					
1.1.2013–31.12.2014	2	4.45	6.93	0.084	11.464
1.1.2015–	2	6.65	6.93	0.084	13.664

TAX RATE TABLE 2

Product	Product category	Energy content tax	Strategic stockpile fee	Total
Electricity (c/kWh)				
— tax class I	1	1.69	0.013	1.703
— tax class II	2	0.69	0.013	0.703
Tall oil (c/kg)	3	19.21	0	19.21
Fuel peat (€/MWh)				
1.1.2013–31.12.2014	4	4.90	0	4.90
1.1.2015–	4	5.90	0	5.90