EUROPEAN COMMISSION
DIRECTORATE-GENERAL
TAXATION AND CUSTOMS UNION
Indirect Taxation and Tax Administration
Behavioural Taxation and Other Indirect Taxes

REALITY CHECK ON TAX EXEMPTIONS FOR ETHYL ALCOHOL - STAKEHOLDER WORKSHOP

Summary report and operational conclusions

25 September 2025, 9:30 – 12:00

Location: Online (Webex)

Participants: Businesses applying EU excise rules (*43 connected stakeholders)*

Welcoming remarks

Ms Maria Elena SCOPPIO (Director, Indirect Taxation and Tax Administration) opened the workshop with an introduction to the Commission agenda for simplification and implementation and to the reality checks as new consultation tools at technical level. The purpose is to make life easier for businesses, with a focus on small and medium enterprises

The participants were invited to share their practical feedback on the functioning of the EU excise rules on alcohol exemptions on the ground, diverging national administrative practices and difficulties in cross-border trade. As exempt alcohol is used to manufacture final products spanning multiple sectors, the participants were divided during part of the workshop into four breakout sessions.

Feedback from the sectors of flavours, food and non-alcoholic beverages

- Divergent application of EU rules (almost all Member States incorrectly exempt alcohol-containing flavours intended for use in alcoholic beverages above 1,2% vol.) distorts competition for flavour producers located in the Member States applying the rules correctly and thus requiring an electronic administrative document (e-AD) for intra-EU movements. These producers lose sales because of the administrative burden of determining the final use and, in case the flavours are intended for use in alcoholic beverages, because of the delays and difficulties for the consignees to obtain the S500 authorisation to receive such flavours under EMCS. It was suggested to exempt alcoholic flavours intended for use in alcoholic beverages from the e-AD requirement and to ensure the traceability of movements under Regulation (EC) No 178/2002 laying down the general principles and requirements of food law.
- Burdensome and costly management of alcohol disposal by flavour producers in some Member States. It was suggested to exempt alcohol-containing waste from excise duty, since it is not intended for use in alcoholic beverages, thereby eliminating administrative burdens.
- Administrative burden for the movement of samples of ethanol (S300 excise product) up to 10 litres to new potential customers in EMCS causes losses of sales

(as compared to companies located in other Member States, where these difficulties are not encountered). A threshold for samples was suggested.
- Unclear definitions of flavours and movement requirements in EMCS across the EU.

Feedback from the sectors of cosmetics, personal care, medical and pharmaceutical

- Difficulties in recording the use of exempt alcohol in the production of pharmaceutical active raw materials. It was suggested to exchange best practices and compliance models among Member States. Inconsistent classification of excise products across Member States (certain flavours and mineral oils).
- National authorisation procedures often fail to adapt to commercial practices, making cross-border compliance more complex and time-consuming. For example, duplication of authorisations has been reported when the handler of the goods moving across borders is not the owner.
- Inconsistent application of the exemption for the same product between Member States.
- Different implementation of excise rules within the same country, leading to uncertainty and compliance burdens. Suggestion to strengthen the link between administration and enforcement through the development of guidelines.
- The clarification and simplification of the conditions under which EMCS must be used for the movement of exempt excise goods would be welcome.

Feedback from the sector of alcoholic beverages

- Difficulties and costs for the cross-border movement of samples when the receiver does not have a tax warehouse. Thresholds for samples per category of alcoholic beverages were suggested.
- Different definitions of partially denatured alcohol across the Member States.
- Difficulties for the cross-border movement of yeast slurry (a by-product of beer manufacture) (impact on circularity). It is not possible to measure its strength, some Member States exempt it, while others do not.
- Different requirements from national customs authorities for the same transaction.
- Difficulties for B2C sales (more evident in border areas).

Feedback from the sectors of chemical and industrial manufacturing

- Burdens in the issuance of permits for cross-border movements of completely denatured alcohol in EMCS in some Member States lead to distortions of competition.
- Some Member States apply very low thresholds for losses during transport. A common threshold was suggested.
- Inconsistent application of the EMCS rules for the movement of manufactured goods containing partially denatured alcohol.
- Definition of S500 products is unclear for both businesses and authorities.
- It was suggested to exempt ethanol used for production of biofuels.

Plenary discussion

- The correct transposition and application of existing EU harmonised rules at national level would remove many burdens and difficulties.

- Some Member States impose additional requirements when transposing the directives. For instance, the absence of a common partial denaturation formula for certain products creates hindrances.
- Divergent interpretation and practical application of the rules by local excise authorities, even within the same Member State. It was suggested to clearly communicate the harmonised rules and practices to all EU local and national customs offices, as well as to all stakeholders.
- The extension of the VAT One Stop Shop for the payment of excise duty and to (wine) fairs would be very welcome.
- In some Member States, the excise duty is assessed after making only formal mistakes in relation to the application of the exemptions for alcohol, even if businesses bring evidence that the alcohol was used for an exempt purpose.

Conclusions

The Commission services appreciate the high interest expressed for this workshop and the constructive exchanges with the participants. The valuable feedback collected will be discussed with Member States and inform the reflections on potential simplifications of the excise rules.