



## Customs Flash

### Belgium

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## New common EU denaturant for ethyl alcohol

### Introduction

European Member States apply an excise duty on the human consumption of alcohol and products containing alcohol. However, when alcohol is denatured, making it unsuitable for such consumption, an excise duty exemption may apply.

For this purpose, the Annex to Regulation (EC) 3199/93 lists a number of procedures for the complete denaturing of alcohol. These procedures are mutually recognised by EU Member States. The advantage of these complete denaturing procedures over national partial denaturing alternatives is that completely denaturing products exempts them from excise duties across the entire EU.

In 2016, the European Commission published an implementing regulation foreseeing the introduction of one single common denaturing procedure for the complete denaturing of ethyl alcohol, thereby replacing all existing mutually recognised complete denaturing procedures.

However, due to objections by some Member States who felt that this denaturing procedure was open to misuse, evasion, avoidance or abuse, the text of the 2016 implementing regulation was revised. The new Annex, with amended complete denaturing procedures to be used in Member States, is published in the Commission Implementing Regulation (EU)

2017/1112. As was previously foreseen, the new list with complete denaturing procedures applies as of 1 August 2017.

Specifically for Belgium, the excise authorities have foreseen a transitional period, ending on 31 December 2017, during which the old mutually recognised complete denaturing procedures will continue to be recognised. Among other things, this allows ethyl alcohol which is denatured through one of the old complete denaturing procedures to be released for consumption in Belgium with excise duty exemption, until 31 December 2017.

## What does this mean for you?

If a company denatures alcohol or trades denatured alcoholic products, an excise duty exemption may apply.

In line with the new Annex to Regulation (EC) 3199/93, although most Member States adhere to one single common EU denaturing procedure ("addition of 1 liter IPA + 1 liter MEK + 1 gram denatonium benzoate per hectoliter absolute ethanol") the denaturing procedure to be used in different Member States may vary.

In practice, the new rules mean that an excise duty exemption will be granted in the Member State where the complete denaturing takes place, provided the alcohol has been denatured in accordance with the mutually recognised complete denaturing procedure mentioned for that Member State.

Furthermore, in situations where alcohol has been completely denatured in one Member State in accordance with one of the mutually recognised denaturing procedures, and is subsequently shipped to another Member State, the latter Member State should in principle recognise the product as having been completely denatured (and apply the corresponding excise exemption).

In practice however, Member States that put forward a complete denaturing procedure requiring the use of an increased concentration of denaturants (i.e. Bulgaria, Czech Republic, Romania, Sweden and the United Kingdom) will likely be reluctant in tolerating the excise exempt entry of alcohol products that have been completely denatured through different and more lenient common denaturing procedures.

## What to do?

It is important to ensure that the right denaturing procedure is used. This would depend on the Member State in which the denaturing process takes place and the Member States in which the denatured ethyl alcohol, or the products containing such alcohol, are brought to market. Where denatured alcohol or products containing such alcohol would be destined for one of the Member States applying stricter denaturing procedures, it is recommended to investigate the conditions under which the products can enter the national territory with an exemption.

## Contacts

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