

Treasury  
Customs and Excise Division

## Notice 1001 MAN

# Alcohol Wholesaler Registration Scheme (AWRS) Briefing Pack



July 2015



**Isle of Man**  
Government

*Reilts Ellan Vannin*

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## Introduction of the Alcohol Wholesaler Registration Scheme (AWRS)

AWRS is a new scheme being introduced to help combat alcohol duty fraud. Criminals are targeting wholesale and retail supply chains by inserting 'duty unpaid' goods. This scheme will help to reduce the estimated £1.3 billion in public money lost to the UK and Island each year to this fraud, and lessen the damaging effects of competition from illicit trading on legitimate businesses.

### Who is affected?

Anyone who sells, or arranges the sale, of alcohol to other businesses at or after the point at which excise duty becomes due<sup>1</sup> will need to apply to register for this scheme. The types of businesses likely to be affected include:

- manufacturers and other excise traders;
- alcohol wholesalers and cash & carries;
- brokers; and
- auctioneers.

Even if you already hold an excise registration(s), you may also need to register for AWRS.

Others who buy alcohol to sell to the consumer, such as retailers, hotels, pubs, restaurants, cafes and clubs ('trade buyers') do not need to apply unless they also sell alcohol to other businesses, but from 1 April 2017 they must ensure they only buy alcohol from others approved by the Treasury or HMRC under the scheme.

To find out if you need to register, please use the flowchart 'Decision making: Do you need to apply to register?' on page 6 and, if you need to, the flowchart on page 7.

### When does the scheme take effect?

From 1 October 2015, if you meet the criteria for registration:

- you will need to apply to register for AWRS, **between 1 October 2015 and 31 December 2015**. The registration procedure is described below;
- applications for AWRS will be considered from 1 January 2016 onwards, and decisions on your approval to trade in alcohol issued as soon as possible thereafter. Decisions will be based on whether a business is 'fit and proper' to carry on trading (see below for a description of the criteria applied). Where a business fails the 'fit and proper' test, it will lose its right to wholesale alcohol;
- if you are a new business wishing to begin operating at any time after 31 December 2015, you must apply for registration at least 45 days before you intend to start and must wait until you receive an approval before you start trading.

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<sup>1</sup> Alcohol is a dutiable product. This means that before it is released for consumption (unless there is a specific exemption or relief that has been granted for the goods in question) duty should be paid. The 'duty point' is often when the manufacturer sells the goods within the UK or Isle of Man, when goods are imported and enter the market in the UK or Isle of Man, or they are released from an excise registered premises approved to hold and move 'duty unpaid' goods.

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From 1 April 2017, for all businesses selling alcohol:

- all businesses will need to make sure that they buy from approved wholesale sources. This includes those selling to the consumer: such as retailers, hotels, pubs, restaurants, cafes and clubs ('trade buyers'), as well as all other businesses in the supply chain who buy alcohol at or after the point at which excise duty becomes due. There will be an online database of approved traders to help businesses carry out due diligence regarding the legitimacy of their suppliers.

### **Preparing for AWRS - what can you do to get ready?**

IF YOU ARE SELLING, OR ARRANGING THE SALE, OF ALCOHOL TO OTHER BUSINESSES, AND MEET THE REGISTRATION CRITERIA:

There is much you can do now to get ready for applying for AWRS, and for most businesses you will already have much of this covered as part of your due diligence, including:

- making sure your business records are in order and accessible;
- reviewing your processes and supply chains to make sure you are sourcing only legitimate alcohol; and
- introducing a corporate due diligence policy and procedures to prevent involvement in the illicit market. It is recommended you:
  - consider and document the risks of fraud within your supply chain;
  - know your suppliers - satisfy yourself that deals look and feel genuine;
  - know the origin and supply chain for the goods you buy, and seek assurances from your supplier that duty has been paid; and
  - do not readily accept deals which appear to be 'too good to be true'.

IF YOU ARE AN ALCOHOL 'TRADE BUYER' SUCH AS A RETAILER, HOTEL, PUB, RESTAURANT, CAFE OR CLUB:

If you buy alcohol from wholesalers in the Island or the UK to sell on to your own customers:

- you should review your processes and supply chains to make sure you are sourcing only legitimate alcohol;
- check that your own wholesalers are aware of the scheme, so that they can prepare for the changes; and
- from 1 April 2017, once the new scheme is fully implemented, you will be able to check that the business you buy alcohol from has been approved.

### **'Fit and proper' criteria**

For each business to be approved to wholesale alcohol its application will be assessed against 'fit and proper' criteria. This may involve a face-to-face visit. The assessment process is to make sure that amongst other things:

- there is no evidence of illicit trading;

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- the applicant, or any person with an important role in the business has not previously been involved in any significant revenue non-compliance or fraud;
  - there are no connections between the business, or key persons involved in the business, with other known non-compliant or fraudulent businesses;
  - key people involved in the business have no criminal convictions which are considered relevant - for example offences involving any dishonesty or links to organised criminal activity;
  - the application is accurate and complete and there has been no attempt to deceive;
  - there have not been persistent or negligent failures to comply with any record-keeping requirements in other customs, excise or VAT regimes;
  - the applicant has not previously attempted to avoid registration nor traded unauthorised;
  - the business has provided sufficient evidence of its commercial viability and/or credibility;
  - there are no outstanding, unmanaged duty or VAT debts or a history of poor payment; and
  - the business has satisfactory due diligence procedures to protect it from trading in illicit supply-chains.

The criteria above are not exhaustive. Approval may be refused to a wholesaler for reasons other than those listed if there are concerns that the applicant's activities pose a serious risk to public revenues. Any approval given may also be subject to conditions.

### **How will businesses in the Isle of Man apply for registration?**

Businesses in the UK will use an online system provided by HMRC to apply for registration.

Businesses in the Isle of Man will not use the HMRC online system. Instead they will need to submit their applications to Customs and Excise at -

PO Box 6, Custom House, Douglas, Isle of Man, IM99 1AG

or by email to [customs@gov.im](mailto:customs@gov.im)

Customs and Excise will deal with the application, and ensure that any business which is registered is also included on the register maintained by HMRC, and will appear on the online look-up facility that will be available.

Any business that needs to apply for registration should contact the Customs and Excise Advice Centre using the contact details above, or by telephoning (01624) 648140.

### **Penalties**

New criminal and civil sanctions will be introduced for wholesalers who trade without approval from the Treasury or HMRC, and for trade buyers who buy alcohol from non-registered wholesalers.

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### Further information

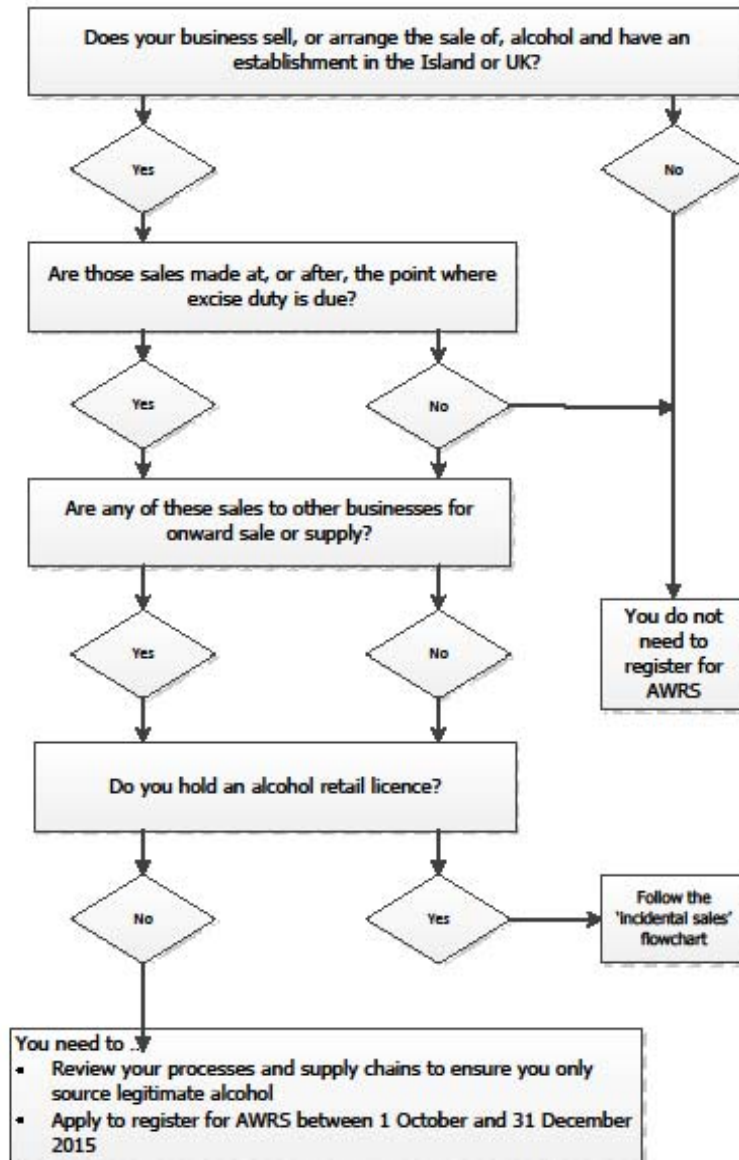
Information will be made available on the Customs and Excise website at <http://www.gov.im/categories/tax-vat-and-your-money/customs-and-excise/> You can also talk to the staff at the Customs and Excise Advice Centre on (01624) 648140.

You can also find more information about the new scheme on the GOV.UK website, search for 'Alcohol Wholesaler Registration Scheme', or sign up for email news alerts about alcohol duties at [www.gov.uk/business-tax/alcohol-duties/email-signup](http://www.gov.uk/business-tax/alcohol-duties/email-signup) - this means you will get an email when more information about the scheme is published on GOV.UK.

Decision making - do you need to register?

**Alcohol Wholesaler Registration Scheme (AWRS)**

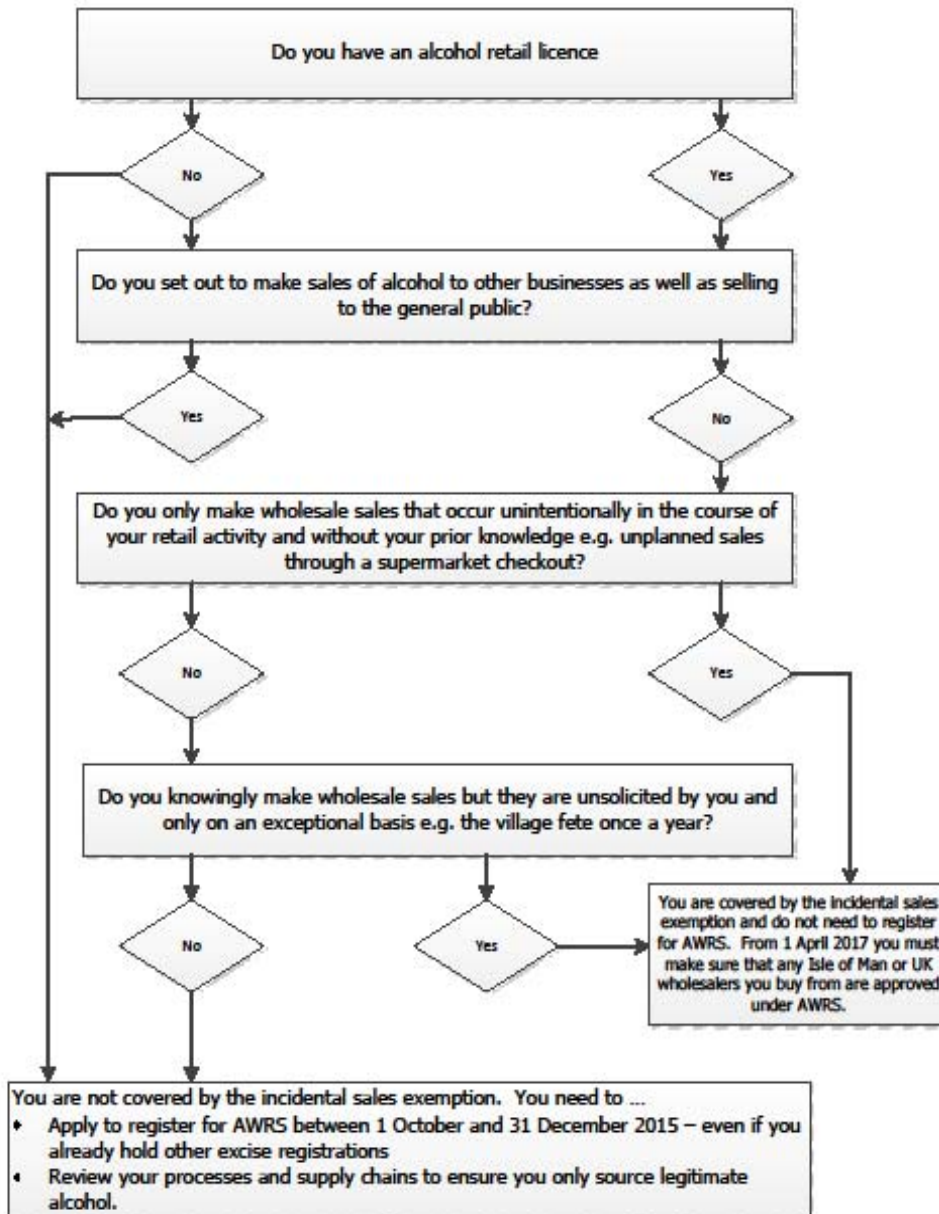
Do you need to apply to register?



NB: If your circumstances change you may need to register for AWRS

## Alcohol Wholesaler Registration Scheme (AWRS)

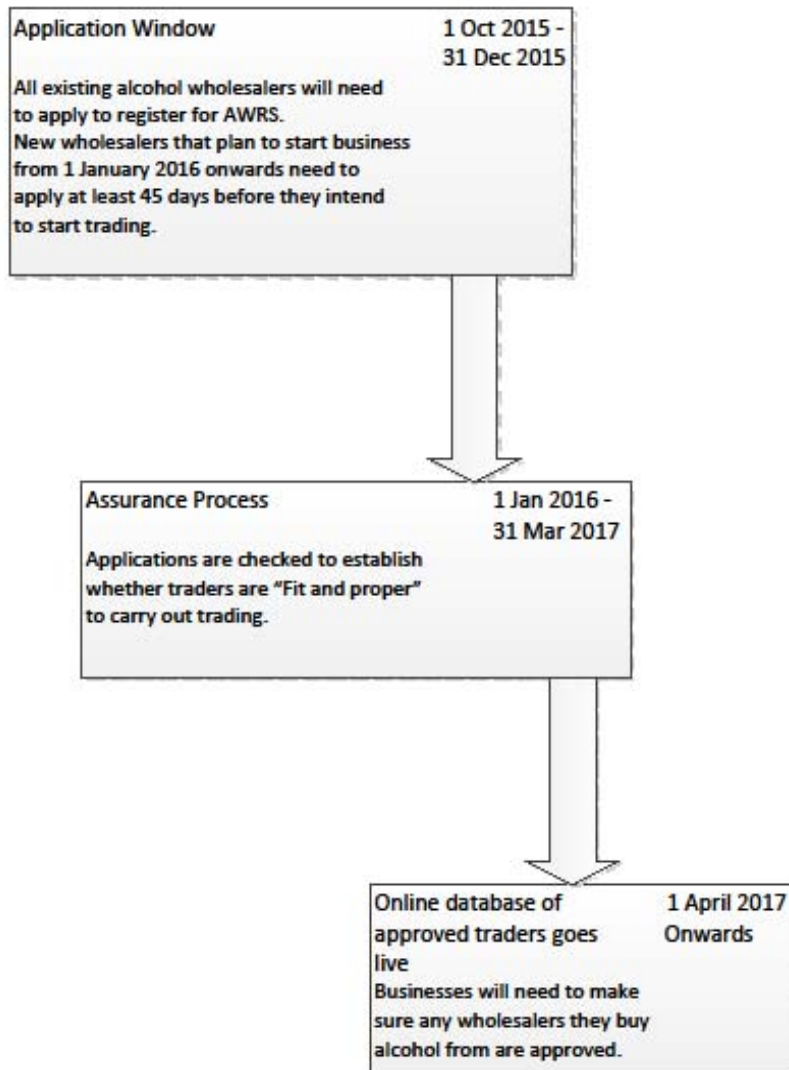
Is your Alcohol Retail business covered by the incidental sales exemption?



NB: If your circumstances change you may need to register for AWRS



## Timeline



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## Questions and answers

### When do I register for the scheme if I am an existing wholesaler?

Existing wholesalers must apply for the scheme from 1 October 2015 to 31 December 2015.

### When do new businesses apply?

Any new businesses who wish to begin wholesaling alcohol at any time after 31 December 2015 must apply for registration at least 45 days before their intended start date and must wait until they receive a decision before they start trading.

### What information will I need when I apply to register?

This will depend on what kind of business you are. However, all applicants will need to provide the following as a minimum:

- legal entity name;
- trading name;
- VAT Registration Number (if registered);
- registered business address and how long at that address;
- contact telephone number;
- email address;
- postal address;
- number of employees;
- your annual turnover;
- types of customer;
- products sold;
- number of premises and their addresses;
- business names and addresses of main suppliers;
- confirm whether or not you import alcoholic goods;
- confirm whether or not you are an Authorised Economic Operator (AEO).

Corporate groups will also need to provide information about companies within the group which wholesale alcohol, this will include:

- details of the group representative;
- details of the group controlling body;
- company registration number if incorporated in the Isle of Man or UK.

Sole proprietors will need to provide their:

- title;
- first name;
- middle names;
- surname;
- National Insurance Number;
- date of birth;
- Tax Reference Number;
- VAT Registration Number if they have one.

Partnerships will also need to provide the same details as for Sole Proprietors, for all of the partners.

Limited Partnerships will also need to provide:

- full names and details of partners as above;
- company name;

- trading name;
- Company Registry number;
- date of registration.

Other Corporate bodies will also need to provide:

- the number of directors or members (if LLC);
- title;
- full name of directors/members;
- date of birth of directors/members;
- Company Registry number;
- date of registration.

These are not exhaustive lists, and you may need to submit further information as part of the registration process following your initial application.

### **What happens if existing wholesalers don't apply to register between 1 October and 31 December 2015?**

All existing alcohol wholesalers must apply for the scheme before 31 December 2015. If you don't apply during the period 1 October to 31 December 2015 you may face a penalty if you trade beyond 31 December 2016.

### **Will I get a visit?**

We will visit wholesalers who apply to register for the scheme if we need further information or clarification of the details provided in the application. If we decide to visit you we will advise you as soon as possible to arrange a convenient date and time.

### **How do I prepare for a visit?**

You will need to be prepared for us to look at your premises, and everything you do there. We will ask you for details about (but not limited to) your suppliers, customers, business plans, accounting and stock control systems, premises and financial viability. For further information on what to expect, see 'Preparing for an Excise Visit Factsheet 16 on the [Customs and Excise](#) website.

### **How long will I have to wait before I hear whether I've been approved for registration?**

From 1 October 2015 to 1 April 2017, we will review all applications to ensure that only 'fit and proper' wholesalers are registered. If you are a currently trading business and applied between October and December, you can continue to trade as normal until you have received a decision. Due to the volume of applications in this period, it is going to take some months to get through them all, so please be patient.

### **What if I'm not approved?**

If you fail the criteria you will not be permitted to trade in alcohol wholesale. You will have the right to review and appeal our decision. Refusal of an AWRS registration may also affect other approvals you hold and we would contact you in due course to discuss.

### **How do I make sure I only buy alcohol from registered wholesalers?**

From 1 April 2017, to help you ensure you only buy from a registered source, there will be an online database of approved registered traders for you to use. Using this will form part of the 'due diligence' processes.

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### **What happens if I buy alcohol from wholesalers who are not registered?**

Customs and Excise wants to know about wholesalers trading without registration. If you discover you have inadvertently purchased from an unregistered wholesaler, you can report this to the Customs Hotline or contact Customs and Excise by telephone or email.

In cases where traders are found to be knowingly buying from unregistered wholesalers, new criminal and civil sanctions will be introduced and applied from 1 April 2017. In addition, any alcohol found in the premises of unregistered businesses may be seized whether or not the duty has been paid. Businesses will have a similar right to review and appeal as they do for other excise regimes for any civil penalties raised.

### **What makes a wholesaler liable to register?**

The requirement to register only applies to wholesalers with an establishment in the Isle of Man or UK. An establishment exists if:

- the place where essential management decisions are made and the business's central administration is carried out is in the Island or the UK, and/or
- the business has a permanent physical presence with the human and technical resources to make or receive taxable supplies in the Island or the UK.

We would normally consider a company which is incorporated in the Island or UK to have an establishment here as long as it is able to receive business supplies at its registered office.

### **What do you mean by "sales at or after the point at which excise duty is due"?**

Alcohol is a dutiable product, this means that somewhere in the supply chain for alcohol which is sold in the Island or UK (unless there is a specific exemption or relief that has been granted for the goods in question) duty should be paid. Only traders already approved can trade in "duty unpaid" alcohol, so if you are not one of these traders, you should only deal in alcohol which has had the duty paid. People who trade in 'duty unpaid' goods are already registered, so AWRS covers anyone who should pay duty over, or who deals with the goods after this point. This is usually at the point it is released to the market in the Island and UK.

### **What if all my sales are within a corporate group?**

If the only sales of alcohol you make are between members of the same corporate group, you do not need to register for AWRS.

### **What if all my sales of alcohol are abroad?**

If all your trade in alcohol takes place abroad you do not need to register - sales where there has been, or is no liability to pay excise duty are outside the scope of AWRS.

### **What if I have a retail licence but might also sell alcohol to other businesses?**

If you are a retailer selling alcohol you will need to work through the flowcharts within this pack to check whether you are required to register under AWRS.

### **What do I need to do when I am approved and receive my AWRS number?**

On approval, you will be allocated a unique reference number (URN) and you must provide this to your customers. From 1 April 2017, you must include the URN on all sales invoices involving alcohol, and provide it on request to anyone purchasing alcohol from you.

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**What do you mean by “trade buyer” of alcohol?**

Trade buyers are all traders who buy alcohol from a wholesaler for onward sale in their own trade, e.g. pubs, clubs, restaurants, hotels - anywhere that sells alcohol to the general public. From 1 April 2017, if buying from a wholesaler in the Isle of Man or UK, trade buyers must only source alcohol from AWRS-registered traders, and HMRC will provide an online look up to assist in this checking process.

**What about alcohol that has been exempted or has been granted a relief from payment of duty?**

You do not need to register if you only trade in alcohol that has been exempted or relieved from excise duty (e.g. denatured alcohol or alcohol sent to denaturers or authorised duty free spirits users; supplies to diplomats etc). Alcohol that has been exempted or relieved from excise duty is outside the scope of the scheme.

**Is alcohol received in duty suspense included in the scheme?**

No, duty suspended movements of alcohol and sales within the duty suspension regime are not included.

**I am not VAT-registered. Do I need to register for AWRS?**

AWRS applies to alcohol wholesalers whether or not they are VAT-registered. Check the flowcharts within this pack and the guidance above.

**What if I’m not sure whether I need to register or not?**

Check the flowcharts within this pack and the guidance above.

Published by:  
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