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**COST RECOVERY IMPLEMENTATION UPDATE**

# Introduction

The Import Processing Charges Bill 1996, Customs Amendment Bill (No. 2) 1996 and the Customs Depot Licensing Charges Bill 1996 provide the legislative framework for the Customs Cost Recovery System which was announced by the Government in the 1996/97 Budget. All three bills are scheduled for debate in the Senate early in the Autumn Sittings which begin on 4 February 1997 and are proposed for commencement by Proclamation on 1 April 1997.

This notice contains information in relation to depots and the entry threshold limit for commercial importations by post.

# Customs Depot Licensing Charges Bill 1996

The Customs Depot Licensing Charges Bill 1996 ("the Bill") is one of three bills in the legislative package associated with the cost recovery regime for import related services delivered by the Australian Customs Service. The Bill covers charges associated with the new depot licensing regime for existing s.17(b) premises.

Following the introduction of the Bill into Parliament in November 1996, the Government will move an amendment to provide a two tiered annual licence fee system to replace the proposed flat $4,000 annual fee for depot licences. The tiered system will be based upon the number of transactions handled by licensed depots and is intended to introduce a lower annual licence charge for those small volume depots, many of which are located in the smaller states or in regional centres. Depots which handled 100 or more transactions for the previous relevant twelve months will be subject to an annual fee of $4,000, while those depots which handled less than 100 transactions for the previous relevant twelve months will be subject to an annual fee of $1,500.

# Definitions and Determination of the Number of Transactions

The revised licensing system has led to a need to clearly define certain terms, in particular line of cargo and transactions handled. These terms are relevant to the determination of the volume of cargo entering a depot and the consequent fee which will apply.

Line of Cargo has the same broad definition as in the Import Charges Bill 1996, ie: "cargo covered by that part of an electronic or documentary cargo report that constitutes a reference to:

(a) a single air waybill or similar document; or (b) a single bill of lading or similar document."

Transactions Handled [in relation to a licensed depot for a defined period] means lines of cargo received into that place during that period.

The revised licensing system is to be effective from 1 April 1997. The period for determining lines of cargo into a depot is set for the 12 months ended 31 March each year. For depots currently appointed under s.17(b), the period for determining the record of receipts of lines of cargo entering the depot will be the 12 month period immediately prior to the date of effect of the licence -

ie: 1 April 1996 to 31 March 1997.

Depots which are determined to have received 100 or more lines of cargo in the period from 1 April 1996 to 31 March 1997 (and which operated continuously for that period) will be liable for a licence fee of $5,000. This is a combination of the $4,000 fee for 1997/98 and the quarter-year fee for the period 1 April 1997 to 30 June 1997. Similarly, for depots with less than 100 lines of cargo in that period, the licence fee will be $1,875, being $1,500 for 1997/98 and $375 for the quarter 1 April 1997 to 30 June 1997.

Section 17(b) depots which came into operation during the period 1 April 1996 to 31 March 1997, a pro rata apportionment will apply for the calculation of the annual number of transactions handled to determine whether the $4,000 annual fee or the $1,500 annual fee is applicable. For new depots, the licence fee will be $4,000 for the first year of operation as there will be no basis for calculating the actual volume of transactions handled.

However, it should be noted that the initial fee is subject to review after 12 months operation based on transaction throughput.

# Commercial Entry Threshold at the Post

Schedule 1, Item 12 of the Customs Amendment Bill No.2 provides for a change to paragraph 68(1)(e) of the Customs Act. The effect of this change is to reduce the commercial entry threshold at the post from $1,000 to

$250 in accordance with other modes of importation.

The Government will now move an amendment to delay the implementation of this change for one year following the proposed 1 April 1997 commencement of this legislation. This will allow importers through the post more time to adjust to the impact of the change. The most significant impact of this change is that it will see a greater proportion of postal consignments requiring formal entry, thus attracting an entry processing charge.

For further information on these matters, please contact Gareth Lewis, Cost Recovery Implementation Team in Canberra on (06) 275 6555.

(M J Roche)

Deputy Chief Executive Officer 30 January 1997