AUSTRALIAN CUSTOMS NOTICE NO. 2006/33

Legal changes and new administrative arrangements for excise manufacturers that use imported excise equivalent goods from 1 July 2006

The purpose of this ACN is to provide to excise manufacturers who use imported excise equivalent goods further details of new administrative arrangements that will come into effect from 1 July 2006. These changes are the result of Government fuel tax reform and reform of other excise arrangements.

Customs duty is imposed on certain goods (including alcohol, tobacco and petroleum products) imported into Australia. If these goods were produced or manufactured in Australia they would be liable for excise duty. Customs therefore imposes an equivalent rate of duty on the imported (or excise equivalent) goods to ensure consistency in treatment for both imported and domestic goods in the Australian market.

In June 2004, the Treasurer announced proposed reforms that were designed to provide excise and customs duty relief for a wide range of businesses and households. The main feature of the proposed reforms was the removal of the effective excise and customs duty from burner fuels and the replacement of refunds and remissions with the fuel tax credit system. At that time, it was also decided to conduct a review of the arrangements that apply to all excisable products (the Review), being alcohol (other than wine), petroleum products and tobacco and tobacco products. The Review was also extended to cover the imported excise equivalent goods, which are governed by the *Customs Act 1901* (Customs Act) and the *Customs Tariff Act 1995 (Tariff Act)*.

The *Customs Amendment (Fuel Tax Reform and Other Measures) Act 2006* and the *Customs Tariff Amendment (Fuel Tax Reform and Other Measures) Act 2006* received Royal Assent on 27 June 2006 – Nos 76 and 77 of 2006 respectively. These Acts are complementary to the *Excise Laws Amendment (Fuel Tax Reform and Other Measures) Act 2006* and the *Excise Tariff Amendment (Fuel Tax Reform and Other Measures) Act 2006*. These changes come into force on 1 July 2006.

The key legal and administrative changes are:

* to allow the manufacture of excisable goods to occur in a customs warehouse;
* to create a requirement that manufacture using excise equivalent goods is to occur at a place licensed under both customs and excise legislation;
* to continue customs control of excise-equivalent goods until an excisable liability has been created under the *Excise Act 1901*, or the goods are entered into home consumption and relevant duties paid, or the goods are exported;
* to create a requirement that excise manufacturers who use imported excise equivalent goods will acquit their Customs duty liabilities via a modified weekly import declaration (ex-warehouse (Nature 30) form) quoting treatment code 444. Tariff rate Number 044 must also be quoted on ‘Customs Excise Return’. For goods imported after

1 July 2006, treatment code 444 will only be available for use on Customs weekly ‘Excise Returns’. The item 44 treatment code 444 may continue to be used, as previously, for refund purposes, for goods imported prior to 1 July 2006. ‘Customs



Excise returns’ are to be used for imported excise equivalent goods used in excise manufacture only. If a manufacturer does not use imported excise equivalent goods for excise manufacture during a particular week or over a period of weeks there is no requirement to complete a weekly ‘Customs excise return.’ The ‘Customs Excise return’ should include all those imported excise equivalent goods that are taken up in a process of excise manufacture and where an excise liability has been created during a particular week. However, the ‘Customs Excise return’ should not include imported excise equivalent goods that have been entered into Customs or dual licensed premises, but which have not yet left Customs’ control.

* to repeal items 44 and 67 of Schedule 4 to the Tariff Act. Manufacturers of excisable fuel products that use imported excise equivalent goods in that manufacture will no longer be able to enter their imported goods for home consumption on a Nature 10 form quoting concessionary item 44. From 1 July 2006 most importers of excise equivalent goods may enter their goods for home consumption (duty paid), or warehouse their goods. When the goods are used in excise manufacture the liability for customs duties is extinguished, (except for ad valorem duty that is payable on certain spirits and petroleum products). Note that bulk spirit cannot be cleared duty paid and therefore must continue to be warehoused.
* imported brandy, whisky or rum must be matured in wood for a minimum of 2 years before delivery from Customs control.
* companies that manufacture using excise equivalent goods will need to hold a warehouse licence under section 79 of the Customs Act. Recognising that these companies may not have held a warehouse licence previously, a reduced one-off licence fee of $1,000 will be available for new licence applicants requiring the dual licence. Companies already licensed under section 79 of the Customs Act do not need to change licence arrangements.
* weekly settlement permissions under section 69 of the Customs Act continue under the new excise arrangements.

This ACN supersedes ACN 2002/02 Ready to Drink Beverages (RTDs) Manufactured from Imported Spirits.

For further information on these arrangements please contact the Director, Cargo Controls on (02) 6275 6564.

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