Australian Customs Notice 1998 01

**Fuel Substitution Minimisation Legislation exemption of certain customable and excisable petroleum products from marking**

As part of 1997-98 Budget initiatives, the Government announced that it intended to combat the loss of revenue resulting from the direct substitution of duty free or low duty petroleum products for those products which attracted a rate of customs or excise duty commensurate with on-road use.

Legislation giving effect to this initiative has been passed by the Parliament and is scheduled to take effect on and from 31 January 1998.

The legislation requires the addition of a chemical marker to certain petroleum products that are cleared for home consumption at a concessional or free rate of duty. On the advice of the oil industry, the marker selected is Mortrace MP and it is to be added at a prescribed dosage of 20 parts per million weight per volume.

Petroleum solvents will need to contain the marker. However, it is recognised that the marker could have an adverse effect on the performance of the marked product or other undesirable outcomes in certain specialised applications. It is also recognised that the nature or cost of certain specialised petroleum products is such that their use as fuel substitutes is not viable. While it is not considered that there will be a large incidence of solvents meeting the criteria, Customs recognises that in certain cases, unmarked bulk solvents are required.

Accordingly, Customs is putting in place legislative arrangements for the remission or refund of customs and excise duty in respect of unmarked petroleum products as solvents to address the industry concerns where it is feared that the marker could affect the performance of the solvent. These arrangements will take effect from 31 January 1998 (new Customs Regulations 126(1)(w) and (x) and Excise Regulations 50(1)(zg) and (zh), Statutory Rules 1997 Nos 378 and 384 refer). Remission of duty will only be available in respect of petroleum products which are delivered into home consumption pursuant to a permission under section 61C of the *Excise Act 1901* or section 69 of the *Customs Act 1901* and will be tightly controlled and granted subject to rigorous scrutiny of whether these criteria are met.

# Availability of the benefit of the remission by users of products as solvents

The benefit of the remission in respect of petroleum products as solvents will not automatically be available to all users of products as solvents. The details of this availability are still being settled and will be notified later in January 1998. In the meantime, users of petroleum products as solvents who require unmarked product on which the remission has been given will need to apply to Customs.

All applications should be addressed by users to the Manager, Minerals and Petroleum National Business Centre in Melbourne, Customs House, 414 Latrobe Street, Melbourne, VIC 3000 and include the following details:

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| (i) | Name of user; |
| (ii) | Description and chemical composition of the product; |
| (iii) | Name(s) of supplier/s of the product (where settled); |
| (iv) | Price per litre; |
| (v) | Intended use of product; |
| (vi) | Pattern of delivery for the particular product; and |
| (vii) | Reasons for exemption. |

# Applications for Refund of Duty

In cases where a user does not gain access to the benefit of the remission, the new legislative arrangements also allow for a refund to be paid to users of duty paid products where the products have been used only as a solvent.

# Suppliers of Bulk Unmarked Product

As previously referred to, the remission of duty will only be applicable where the petroleum products are delivered into home consumption pursuant to a permission under section 61C of the *Excise Act 1901* or section 69 of the *Customs Act 1901*.

Existing permissions will be revised with effect 31 January 1998 to allow permission holders to deliver bulk unmarked concessional product. The conditions to which the delivery of this product under a permission will be subject are also still being settled and will be notified later in January 1998.

# Further Information

Inquiries concerning this notice may be directed to Mr John Charleston, Manager, Minerals and Petroleum National Business Centre, Commercial Services, Australian Customs Service, 414 Latrobe Street, Melbourne, VIC 3000. Telephone 03 9244 8411 or facsimile 03 9244 8412.

RICHARD HUNT

Acting National Manager Excise Branch

for

Chief Executive Officer CANBERRA

8 January 1998