

AUSTRALIAN CUSTOMS NOTICE NO. 2003/63

Customs Tariff Proposal No. 5 (2003) – biodiesel

Customs Tariff Proposal No. 5 (2003) was tabled in Parliament on 17 September 2003 and contains alterations to the *Customs Tariff Act 1995* (the Customs Tariff), effective from

18 September 2003. The Proposal was tabled cognately with Excise Tariff Proposal No. 4 (2003) that makes equivalent alterations to the *Excise Tariff Act 1921* (the Excise Tariff).

The Proposals alter the Customs Tariff and the Excise Tariff to introduce customs and excise duties on biodiesel for use as fuel in an internal combustion engine and on biodiesel blends.

These changes were announced in the 2003-04 Budget and form part of the Government’s fuel tax reform arrangements to bring all currently untaxed fuels used in internal combustion engines into the excise and customs duty system by 1 July 2008.

Commencing from 18 September 2003, biodiesel and the biodiesel component of blends of biodiesel will attract customs and excise duty at a rate of 38.143 cents per litre (cpl). Other substances in a blend (with the exception of ethanol which will attract 38.143 cpl) will attract the rate of 38.143 cpl or 39.143 cpl depending on sulphur content. From 1 January 2004, the customs and excise duty increases from 39.143 cpl to 40.143 cpl for those substances with a high sulphur content.

In the Customs Tariff, biodiesel is classified to new subheadings 1516.10.10 and 1516.20.10, and other chemically modified animal and vegetable fats and oils are classified to new subheadings 1516.10.90 and 1516.20.90 with the latter goods retaining their current duty rate of Free. New subheadings are also created in Chapters 27 and 38 for blends of biodiesel and other substances.

A grant equal to the customs and excise duty rates of 38.143 cpl will be payable under the Energy Grants (Cleaner Fuels) Scheme (EG(CF)S) on locally manufactured and imported biodiesel from 18 September 2003 until 30 June 2008, on enactment of the EG(CF)S. From 1 July 2008, the amount of grant paid will be reduced in five equal instalments, and from

1 July 2012 biodiesel will, like other fuels used in internal combustion engines, attract excise and customs duty based on energy content and other factors, providing tax neutrality between fuels.

Details of the new tariff subheadings and statistical codes applicable to biodiesel and biodiesel blends will be available on a COMPILE news message and on the Customs Internet site ([www.customs.gov.au](http://www.customs.gov.au/)) in the near future.

Customs Tariff reprint pages will be issued as soon as possible to reflect these changes.

Any queries relating to Customs Tariff Proposal No. 5 (2003) should be directed to Manager, Tariff Legislation and External Review on 02 6275 6486.

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Acting National Manager Trade

for Chief Executive Officer September 2003

