



AUSTRALIAN CUSTOMS AND BORDER PROTECTION NOTICE NO. 2011/47

Taxation of alternative (gaseous) fuels and changes relating to gasoline and diesel – effective from 1 December 2011 and 1 January 2012

Two legislative measures will affect the treatment of alternative (gaseous) fuels, and gasoline and diesel fuels, in the *Customs Tariff Act 1995* (the Customs Tariff), from 1 December 2011 and 1 January 2012.

On 1 December 2011, the *Customs Tariff Amendment (Taxation of Alternative Fuels) Act 2011* (Act No. 65 of 2011) will impose duties of customs on gaseous fuels - liquefied natural gas (LNG), liquefied petroleum gas (LPG) and compressed natural gas (CNG).

This Act also creates new subheadings to specify blends of gasoline and ethanol and diesel and ethanol, with consequential amendments to the classification of petroleum gasoline and diesel fuels in the *Customs Tariff Act 1995* (the Customs Tariff). ACBPN 2011/22 and 2011/31 refer.

On 1 January 2012, the *Customs Tariff Amendment (2012 Harmonized System Changes) Act 2011* (Act No. 85 of 2011) will make further changes to the Customs Tariff that will impact on provisions relating to petroleum fuels, particularly light oils and preparations and biodiesel. ACBPN 2011/12 refers. Customs and Border Protection will issue a further Notice in the near future concerning the Harmonized System changes.

Amendments operative from 1 December 2011 - duty rates for gaseous fuels

The *Customs Tariff Amendment (Taxation of Alternative Fuels) Act 2011* (the Alternative Fuels Act) amends the Customs Tariff to impose customs duties on LNG, LPG and CNG used for transport purposes, with effect from 1 December 2011. The legislation also provides for increases in these rates of duty each July until 1 July 2015. Table 1 lists these rates of duty.

Table 1 – Rates of duty and tariff classifications for gaseous fuels

Goods	Liquefied Natural Gas (LNG)	Liquefied Petroleum Gas (LPG)	Compressed Natural Gas (CNG)
Tariff Classification and statistical code (From 1 December 2011)	2711.11.00/13	2711.12.10/01 2711.13.10/03	2711.21.10/05
Duty rates From 1 December 2011	\$0.0522/kg	\$0.025/L	\$0.0522/kg
From 1 July 2012	\$0.1045/kg	\$0.05/L	\$0.1045/kg
From 1 July 2013	\$0.1567/kg	\$0.075/L	\$0.1567/kg
From 1 July 2014	\$0.209/kg	\$0.10/L	\$0.209/kg
From 1 July 2015	\$0.2613/kg	\$0.125/L	\$0.2613/kg

Free Trade Agreements

Schedules 5, 6, 7 and 8 of the Customs Tariff specify rates of customs duty for certain goods, including petroleum based fuels, that are defined as US, Thai, Chilean or AANZ originating goods, under the Australia-US Free Trade Agreement, the Thailand-Australia Free Trade Agreement, the Australia-Chile Free Trade Agreement and Australia's regional agreement with ASEAN and New Zealand, the ASEAN-Australia-New Zealand Free Trade Agreement, respectively. The amendments to the Customs Tariff create new items in each of these Schedules and impose rates of duty to reflect the changes in Schedule 3.

The amendments to the Customs Tariff (Schedules 3, 5, 6, 7 and 8) ensure that the new rates of duty applicable to the above fuels will apply to goods imported from all sources.

Excise Tariff Rates

The *Excise Tariff Amendment (Taxation of Alternative Fuels) Act 2011* amends the *Excise Tariff Act 1921* to impose equivalent duties of excise on the above gaseous fuels when domestically produced.

LPG

Classification of LPG

The Alternative Fuels Act creates new subheadings 2711.12.10 and 2711.13.10 (statistical codes 01 and 03, respectively, with a unit of quantity in litres), to specify LPG, for the purposes of the alternative fuels legislation, with effect from 1 December 2011. (Note that subheadings 2711.12.00 and 2711.13.00 will not operate from that date).

Definition of LPG

Additional Note 2 to Chapter 27 will provide the following definition of LPG:

For the purposes of 2711.12.10 and 2711.13.10, LPG means:

- (a) liquid propane; or*
- (b) a liquid mixture of propane and butane; or*
- (c) a liquid mixture of propane and other hydrocarbons that consists mainly of propane; or*
- (d) a liquid mixture of propane, butane and other hydrocarbons that consists mainly of propane and butane.*

Conversion factor for LPG

Amendments to regulation 126E of the *Customs Regulations 1926* (the Customs Regulations) provides a conversion factor to convert measurements of LPG from kilograms to litres:

LPG may be converted to litres at the rate of 1 kilogram of LPG to 1.885 litres of LPG.

NOTE: This conversion factor will not be coded into the Customs Integrated Cargo System (ICS) and, if required, importers must make the calculation before creating import declarations in the ICS.

Automatic remission of customs duty for LPG

Subregulations 126(1)(zb) and 128AA(3) of the Customs Regulations provide for the automatic remission of customs duty on imported LPG, when that LPG is not intended for use in an internal combustion engine in either a motor vehicle or vessel.

To provide the administrative means to give effect to this provision, a new item 131 will be created in the Supplementary Provisions of the Customs Tariff Working Pages. The associated treatment code 131 will remove the customs duty in the above circumstances, when applied on import declarations in the ICS.

The Customs Tariff Working Pages will include the full text of these regulation amendments.

Refunds of customs duty for LPG

Amendments to regulation 126 provides for a new refund circumstance (new subregulation 126(1)(eaa) refers) for LPG when customs duty has been paid incorrectly for this product.

Refund reason code "eaa" will need to be quoted on import declarations when accessing refunds for LPG.

LNG

Classification of LNG

LNG will continue to be classified in subheading 2711.11.00 (statistical code 13, with a unit of quantity in kilograms), post December 2011.

Automatic remission of customs duty for LNG

Subregulations 126(1)(za) and 128AA(3) of the Customs Regulations will provide for the automatic remission of customs duty on imported LNG, when that LNG is not intended for use in an internal combustion engine in either a motor vehicle or vessel.

To provide the administrative means to give effect to this provision, a new item 130 will be created in the Supplementary Provisions of the Customs Tariff Working Pages. The associated treatment code 130 will remove the customs duty in the above circumstances, when applied on import declarations in the ICS.

Refunds of customs duty for LNG

Amendments to regulation 126 will provide for a new refund circumstance (new subregulation 126(1)(eaa) refers) for LNG when customs duty has been paid incorrectly for this product.

Refund reason code "eaa" will need to be quoted on import declarations when accessing refunds for LNG.

CNG

Classification of CNG

The Alternative Fuels Act creates a new subheading 2711.21.10 (statistical code 05, with a unit of quantity in kilograms), to specify CNG for the purposes of the alternative fuels legislation, with effect from 1 December 2011. (Note that subheading 2711.21.00 will not operate from that date).

Definition of CNG

Additional Note 5 to Chapter 27 provides the following definition of CNG:

For the purposes of 2711.21.10, CNG means natural gas compressed for use as fuel for a motor vehicle other than:

- (a) a motor vehicle that is designed merely to move goods with a forklift and is for use primarily off public roads; and*
- (b) a motor vehicle that is of a kind prescribed by the regulations for the purposes of this paragraph.*

CNG that falls outside this definition is classified in subheading 2711.21.90, with a rate of Free.

Conversion factor for CNG

Regulation 126E of the Customs Regulations provides a conversion factor to convert measurements of CNG from megajoules to kilograms:

CNG may be converted to kilograms at the rate of 1 megajoule of CNG to 0.01893 kilograms of CNG.

NOTE: This conversion factor will not be coded into the ICS and, if required, importers must make the calculation before creating import declarations in the ICS.

Refunds of customs duty for CNG

Amendments to regulation 126 will provide for a new refund circumstance (new subregulation 126(1)(eaa) refers) for CNG when customs duty has been paid incorrectly for this product. CNG that is not for use in a motor vehicle or vessel is classified in subheading 2711.21.90.

Refund reason code "eaa" will need to be quoted on import declarations when accessing refunds for CNG.

Blends containing petroleum oils

The Alternative Fuels Act creates new subheadings to separately identify blends of ethanol and gasoline, and diesel and ethanol. This will enable the calculation of customs duty for such blends based on the appropriate duty rate for each component, equivalent to the provisions of section 6G of the *Excise Tariff Act 1921*.

Subheadings applicable to blends containing biodiesel and petroleum products are not affected by the December 2011 changes.

NOTE: These subheadings will again change on 1 January 2012.

Entry requirements for blends

The Customs Tariff Working Pages specify Rate Identifiers (Rate Numbers) for the above tariff subheadings. Rate Numbers are used to specify rates of duty for the components of these blends.

For example, new subheading 2710.11.62 will apply to blends of gasoline and ethanol. For this subheading, Table 2 sets out the Rate Numbers and statistical codes that refer to the different components of the blend.

Table 2 – Rate identifiers and statistical codes for subheading 2710.11.62 (blends of gasoline and ethanol)

Rate Identifier	Component description	Statistical code
001	Volume of gasoline	01
002	Volume of ethanol	02
003	Volume of other substances (if any) in the blend	03

In the case of blends containing petroleum oils, each Rate Number has an associated statistical code. To enable importers and the Australian Bureau of Statistics to maintain accurate records, it is important that when creating import declarations in the ICS for petroleum oil blends, importers use the appropriate Rate Number and its associated statistical code. This applies even if all the components of the blend have the same duty rate.

For example, a blend of 100 litres of gasoline and ethanol containing 90 litres of gasoline and 10 litres of ethanol requires two import declaration lines, the first (90 litres) using Rate Number 001 and statistical code 01 and the second (10 litres) using Rate Number 002 and statistical code 02.

Changed tariff classifications for diesel and gasoline

As a consequence of the creation of new subheadings for blends of gasoline and ethanol and diesel and ethanol, tariff classification numbers and/or statistical codes for diesel and gasoline will also change.

In brief, the classification for petroleum diesel, not blended with biodiesel or ethanol, will be subheading 2710.19.28, (statistical code 30 (ships' bunkers) and 31 (other), respectively, with unit of quantity litres).

Gasoline, not blended with ethanol, will continue to be classified in subheading 2710.11.69, but with new statistical code 40, with unit of quantity litres.

Similar changes occur in subheadings 2710.91 and 2710.99, covering goods defined as waste oils.

Amendments operative from 1 January 2012 – light oils and preparations and biodiesel

The International Harmonized Commodity Description and Coding System, commonly referred to as the Harmonized System, forms the basis of Australia's Customs Tariff. Australia will implement changes resulting from the fourth review of the Harmonized System on 1 January 2012.

The *Customs Tariff Amendment (2012 Harmonized System Changes) Act 2011* will make further changes to the Customs Tariff, with effect from 1 January 2012. A number of these amendments will impact on the Customs Tariff provisions relating to petroleum fuels. In particular, these amendments will create a new subheading 2710.20.00 for certain biodiesel blends, renumber subheading 2710.11 (light oils and preparations) as 2710.12 and create a new heading 3826 for biodiesel and other biodiesel blends. Consequently, the Alternative Fuels Act contains amendments effective from 1 January 2012, that reflect the new subheadings that will enter into force from that date.

A number of the subheadings created on 1 December 2011 will therefore change on 1 January 2012.

Concordances of tariff subheadings

Changes on 1 December 2011

Attachment A is a concordance of tariff subheadings affected by the changes to the Customs Tariff contained in the Alternative Fuels Act that have effect on 1 December 2011.

Changes on 1 January 2012

Attachment B is a concordance linking those subheadings, mainly relating to diesel, gasoline and biodiesel, that will exist post December 2011, with the tariff subheadings applicable post January 2012.

Statistical Codes

The Australian Bureau of Statistics has provided new statistical codes in connection with the changes outlined above. As indicated, importers should note that a number of existing tariff subheadings and statistical codes will not operate from 1 December 2011.

There will be further changes to the subheadings and their associated statistical codes on 1 January 2012.

New subheadings and statistical codes are set out in the accompanying Customs Tariff Working Pages.

Customs Tariff Working Pages

Changes operative 1 December 2011

Customs and Border Protection will issue the following Customs Tariff Working Pages in the week commencing 24 October 2011 to reflect the changes relating to alternative fuels that will take effect on 1 December 2011. These pages will contain details of tariff classification numbers, statistical codes, and, where required, details of the provisions of the regulation amendments.

Table 3 – List of customs tariff pages issued for the commencement of alternative fuels legislation on 1 December 2011

Schedule 3

22/3 (R.11)	27/7 (R.22)	27/15 (R.3)	38/15 (R.3)
27/1 (R.8)	27/9 (R.19)	27/17 (R.3)	38/17 (R.0)
27/3 (R.20)	27/11 (R.8)	27/19 (R.2)	
27/5 (R.26)	27/13 (R.8)	27/21 (R.2)	

Schedule 5

5/3 (R.22)
5/5 (R.5)
5/7 (R.3)

Schedule 6

6/3 (R.21)
6/5 (R.5)
6/7 (R.3)
6/9 (R.2)

Schedule 7

7/3 (R.9)
7/5 (R.2)
7/6A (R.0)

Schedule 8

8/3 (R.7)
8/5 (R.2)
8/7 (R.1)
8/8A (R.0)

Supplementary Provisions

Supplementary Provisions

SP/5 (R.9)

These Tariff Working Pages will also be available on the customs website at

www.customs.gov.au

then select tariff and working tariff page.

Changes operative 1 January 2012

Customs and Border Protection will issue further tariff reprint pages in the near future, in connection with the Harmonized System 2012 amendments. This issue will include further Working Pages relating to gaseous and other fuels, showing changes effective from 1 January 2012. These pages will also set out rates of duty for gaseous fuels post 2012.

These additional pages are listed in Table 4.

Table 4 – List of Customs Tariff Working Pages issued in connection with changes to gaseous and other fuels with effect on 1 January 2012 and subsequent years

Schedule 3

27/1 (R.9)	27/9 (R.20)	27/21 (R.3)	38/15 (R.4)
27/3 (R.21)	27/11 (R.9)	27/23 (R.1)	38/17 (R.1)
27/7 (R.23)			

Schedule 5

5/3 (R.23)
5/5 (R.6)
5/7 (R.4)

Schedule 6

6/3 (R.22)
6/5 (R.6)
6/9 (R.3)

Schedule 7

7/5 (R.3)
7/6A (R.1)

Schedule 8

8/3 (R.8)
8/5 (R.3)
8/7 (R.2)
8/8A (R.1)

Enquiries

For further information concerning the proposed changes to the Customs Tariff, please contact:

Manager
Tariff Legislation
Trade Services Branch
Phone (02) 6275 6542

You can also source information on the taxation of alternative fuels at [Introduction of effective fuel tax on alternative fuels](#) on The Australian Taxation Office website.

(signed)

Geoff Johannes
National Manager
Trade Services Branch
26 October 2011

Gaseous fuels (LPG, LNG and CNG) and gasoline and diesel**Concordance of tariff subheadings pre-1 December 2011 – post-1 December 2011**

Proposed From 1 December 2011	Present Pre-December 2011		Present Pre-December 2011	Proposed From 1 December 2011
2710.11.62	2710.11.69		2710.11.69	2710.11.62
2710.11.69	2710.11.69			2710.11.69
2710.19.22	2710.19.20		2710.19.20	2710.19.22
2710.19.28	2710.19.20			2710.19.28
2710.91.22	2710.91.20		2710.91.20	2710.91.22
2710.91.28	2710.91.20			2710.91.28
2710.91.62	2710.91.69		2710.91.69	2710.91.62
2710.91.69	2710.91.69			2710.91.69
2710.99.22	2710.99.20		2710.99.20	2710.99.22
2710.99.28	2710.99.20			2710.99.28
2710.99.62	2710.99.69		2710.99.69	2710.99.62
2710.99.69	2710.99.69			2710.99.69
2711.12.10	2711.12.00		2711.12.00	2711.12.10
2711.12.90	2711.12.00			2711.12.90
2711.13.10	2711.13.00		2711.13.00	2711.13.10
2711.13.90	2711.13.00			2711.13.90
2711.21.10	2711.21.00		2711.21.00	2711.21.10
2711.21.90	2711.21.00			2711.21.90
3824.90.50	3824.90.90		3824.90.90	3824.90.50
3824.90.60	3824.90.90			3824.90.60
3824.90.90	3824.90.90			3824.90.90

Light oils and biodiesel**Concordance of tariff subheadings December 2011 – January 2012**

Post 1 January 2012	Post 1 December 2011		Post 1 December 2011	Post 1 January 2012
2710.12.62	2710.11.62		2710.11.62	2710.12.62
2710.12.69	2710.11.69		2710.11.69	2710.12.69
2710.20.00	2710.11.80		2710.11.80	2710.20.00
	2710.19.80		2710.19.80	2710.20.00
3826.00.10	3824.90.20		3824.90.20	3826.00.10
3826.00.20	3824.90.30		3824.90.30	3826.00.20