



FUEL TAX REFORM AND EXCISE AND DUTY RATE CHANGES

BACKGROUND

Customs duty is imposed on certain goods (including alcohol, tobacco and petroleum) 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).

Customs Amendment (Fuel Tax Reform and Other Measures) Bill 2006 and *Customs Tariff Amendment (Fuel Tax Reform and Other Measures) Bill 2006* were introduced into the Parliament on 11 May 2006. These Bills are complementary to *Excise Laws Amendment (Fuel Tax Reform and Other Measures) Bill 2006* and *Excise Tariff Amendment (Fuel Tax Reform and Other Measures) Bill 2006*. Details of the four Bills and their Explanatory Memorandums are available on the Parliament of Australia website via the following link: <http://www.aph.gov.au/bills/index.htm#billsnet>. Subject to passage of the Bills, changes would come into force from 1 July 2006.

KEY CUSTOMS ACT MEASURES

- Allow the manufacture of excisable goods to occur in a customs warehouse;
- Require manufacture using excise equivalent goods to occur at a place licensed under both customs and excise legislation;
- 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;
- Require excise manufacturers who use imported excise equivalent goods to acquit their Customs duty liabilities via a modified import declaration, ex-warehouse (Nature 30) form quoting treatment code 444;
- Repeal the fuel penalty surcharge provisions; and
- Put in place product standard provisions that were in the *Spirits Act 1906*, which is proposed to be repealed.

KEY TARIFF ACT CHANGES

The following changes to the Tariff Act are as a consequence of the Government's proposed fuel reforms and the Treasury's Review:

- Amend the rate of duty applicable to burner fuel. The *Fuel Tax Bill 2006*, which was introduced into the House of Representatives on 29 March 2006, proposed to implement a Fuel Tax Credit Scheme. Eligible businesses may have an entitlement to fuel tax credits in respect of the use, packaging and sale of burner fuels. The Australian Taxation Office (ATO) would administer this Scheme. Subject to successful passage of the *Fuel Tax Bill 2006*, amendments

are proposed to be made to the Customs Regulations to give effect to the Government's new fuel tax credit system that will replace all existing rebates, subsidies and concessions;

- Align the current snuff tobacco rate of \$2.36/kg with the ordinary tobacco rate of \$290.74/kg;
- Impose a new duty on tobacco leaf (not stemmed/stripped) of \$290.74/kg;
- Repeal items 44 and 67 of Schedule 4 to the Tariff Act. Importers of excise equivalent goods may then enter the 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*); and
- Remove a number of redundant provisions from the Tariff Act, including the duty differentials for petroleum products based on container size, sulphur content, and whether a petroleum product contains a fuel marker. A concordance of the tariff items affected by these changes is attached.

TECHNICAL NON-DUTY RELATED CHANGES

- Clarify when the different rates of customs duty apply to different types of beer; and
- Reclassify biodiesel from Chapter 15 to Chapter 38 of the Customs Tariff - an internationally agreed classification change.

In addition it is proposed to reduce duty for aviation gasoline and aviation kerosene (from 3.114 and 3.151 cents per litre respectively to a rate of 2.854 cents per litre) with effect from November 2005. This will give effect to the proposed removal of the Location Specific Pricing Subsidy component of the aviation fuels excise and customs duty rates and the ending of the Location Specific Pricing that was featured in Customs Tariff Proposal (No.5) 2005.

FURTHER INFORMATION

Customs released Australian Customs Notice (ACN) 2006/22 on 18 May 2006, which contains further information on these changes. This document is available on the Customs website at: www.customs.gov.au/webdata/resources/notices/ACN0622.pdf.

Inquiries concerning the details contained in this Fact Sheet may be directed to A/g Director, Excise and Tax Liaison on (02) 6275 6511, or the Director, Cargo Controls on (02) 6275 6564 for warehouse and licensing issues. For more information about fuel tax credits visit www.ato.gov.au/fuelschemes or phone the Tax Office on 132866 between 8.00am and 6.00pm Monday to Friday.

Proposed From 1 July 2006	Present Pre-July 2006	CONCORDANCE	Present Pre-July 2006	Proposed From 1 July 2006
1516.10.00	1516.10.90		1516.10.10	3824.90.20
1516.20.00	1516.20.90		1516.10.90	1516.10.00
2403.99.80	2403.99.20		1516.20.10	3824.90.20
	2403.99.80		1516.20.90	1516.20.00
2707.20.00	2707.20.21		2403.99.20	2403.99.80
	2707.20.29		2403.99.80	2403.99.80
	2707.20.81		2707.20.21	2707.20.00
	2707.20.89		2707.20.29	2707.20.00
2707.30.00	2707.30.21		2707.20.81	2707.20.00
	2707.30.29		2707.20.89	2707.20.00
	2707.30.81		2707.30.21	2707.30.00
	2707.30.89		2707.30.29	2707.30.00
2707.50.00	2707.50.31		2707.30.81	2707.30.00
	2707.50.39		2707.30.89	2707.30.00
	2707.50.81		2707.50.31	2707.50.00
	2707.50.89		2707.50.39	2707.50.00
2709.00.90	2709.00.81		2707.50.81	2707.50.00
	2709.00.87		2707.50.89	2707.50.00
	2709.00.88		2709.00.81	2709.00.90
2710.11.69	2710.11.62		2709.00.87	2709.00.90
	2710.11.69		2709.00.88	2709.00.90
2710.11.70	2710.11.71		2710.11.62	2710.11.69
	2710.11.72		2710.11.69	2710.11.69
	2710.11.73		2710.11.71	2710.11.70
	2710.11.74		2710.11.72	2710.11.70
	2710.11.79		2710.11.73	2710.11.70
2710.11.80	2710.11.81		2710.11.74	2710.11.70
	2710.11.82		2710.11.79	2710.11.70
2710.19.14	2710.19.11		2710.11.81	2710.11.80
2710.19.16	2710.19.11		2710.11.82	2710.11.80
	2710.19.12		2710.19.11	2710.19.14
	2710.19.13			2710.19.16
	2710.19.17		2710.19.12	2710.19.16
	2710.19.18		2710.19.13	2710.19.16
2710.19.20	2710.19.21		2710.19.17	2710.19.16
	2710.19.29		2710.19.18	2710.19.16
2710.19.51	2710.19.31		2710.19.21	2710.19.20
	2710.19.32		2710.19.29	2710.19.20
	2710.19.33		2710.19.31	2710.19.51
	2710.19.34			2710.19.52
	2710.19.37		2710.19.32	2710.19.51
	2710.19.38			2710.19.52
2710.19.52	2710.19.31		2710.19.33	2710.19.51
	2710.19.32			2710.19.52
	2710.19.33		2710.19.34	2710.19.51
	2710.19.34			2710.19.52

Proposed From 1 July 2006	Present Pre-July 2006	CONCORDANCE	Present Pre-July 2006	Proposed From 1 July 2006
	2710.19.37		2710.19.37	2710.19.51
	2710.19.38			2710.19.52
2710.19.53	2710.19.50		2710.19.38	2710.19.51
2710.19.70	2710.19.71			2710.19.52
	2710.19.72		2710.19.50	2710.19.53
	2710.19.73		2710.19.71	2710.19.70
	2710.19.74		2710.19.72	2710.19.70
	2710.19.79		2710.19.73	2710.19.70
2710.19.80	2710.19.81		2710.19.74	2710.19.70
	2710.19.82		2710.19.79	2710.19.70
2710.91.14	2710.91.11		2710.19.81	2710.19.80
2710.91.16	2710.91.11		2710.19.82	2710.19.80
	2710.91.12		2710.91.11	2710.91.14
	2710.91.13			2710.91.16
	2710.91.17		2710.91.12	2710.91.16
	2710.91.18		2710.91.13	2710.91.16
2710.91.20	2710.91.21		2710.91.17	2710.91.16
	2710.91.29		2710.91.18	2710.91.16
2710.91.51	2710.91.31		2710.91.21	2710.91.20
	2710.91.32		2710.91.29	2710.91.20
	2710.91.33		2710.91.31	2710.91.51
	2710.91.34			2710.91.52
	2710.91.37		2710.91.32	2710.91.51
	2710.91.38			2710.91.52
2710.91.52	2710.91.31		2710.91.33	2710.91.51
	2710.91.32			2710.91.52
	2710.91.33		2710.91.34	2710.91.51
	2710.91.34			2710.91.52
	2710.91.37		2710.91.37	2710.91.51
	2710.91.38			2710.91.52
2710.91.53	2710.91.50		2710.91.38	2710.91.51
2710.91.69	2710.91.62			2710.91.52
	2710.91.69		2710.91.50	2710.91.53
2710.91.70	2710.91.71		2710.91.62	2710.91.69
	2710.91.72		2710.91.69	2710.91.69
	2710.91.73		2710.91.71	2710.91.70
	2710.91.74		2710.91.72	2710.91.70
	2710.91.79		2710.91.73	2710.91.70
2710.91.80	2710.91.81		2710.91.74	2710.91.70
	2710.91.82		2710.91.79	2710.91.70
2710.99.14	2710.99.11		2710.91.81	2710.91.80
2710.99.16	2710.99.11		2710.91.82	2710.91.80
	2710.99.12		2710.99.11	2710.99.14
	2710.99.13			2710.99.16
	2710.99.17		2710.99.12	2710.99.16
	2710.99.18		2710.99.13	2710.99.16

Proposed From 1 July 2006	Present Pre-July 2006	CONCORDANCE	Present Pre-July 2006	Proposed From 1 July 2006
2710.99.20	2710.99.21		2710.99.17	2710.99.16
	2710.99.29		2710.99.18	2710.99.16
2710.99.51	2710.99.31		2710.99.21	2710.99.20
	2710.99.32		2710.99.29	2710.99.20
	2710.99.33		2710.99.31	2710.99.51
	2710.99.34			2710.99.52
	2710.99.37		2710.99.32	2710.99.51
	2710.99.38			2710.99.52
2710.99.52	2710.99.31		2710.99.33	2710.99.51
	2710.99.32			2710.99.52
	2710.99.33		2710.99.34	2710.99.51
	2710.99.34			2710.99.52
	2710.99.37		2710.99.37	2710.99.51
	2710.99.38			2710.99.52
2710.99.53	2710.99.50		2710.99.38	2710.99.51
2710.99.69	2710.99.62			2710.99.52
	2710.99.69		2710.99.50	2710.99.53
2710.99.70	2710.99.71		2710.99.62	2710.99.69
	2710.99.72		2710.99.69	2710.99.69
	2710.99.73		2710.99.71	2710.99.70
	2710.99.74		2710.99.72	2710.99.70
	2710.99.79		2710.99.73	2710.99.70
2710.99.80	2710.99.81		2710.99.74	2710.99.70
	2710.99.82		2710.99.79	2710.99.70
2902.20.00	2902.20.10		2710.99.81	2710.99.80
	2902.20.90		2710.99.82	2710.99.80
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	2902.30.90		2902.20.90	2902.20.00
2902.41.00	2902.41.10		2902.30.10	2902.30.00
	2902.41.90		2902.30.90	2902.30.00
2902.42.00	2902.42.10		2902.41.10	2902.41.00
	2902.42.90		2902.41.90	2902.41.00
2902.43.00	2902.43.10		2902.42.10	2902.42.00
	2902.43.90		2902.42.90	2902.42.00
2902.44.00	2902.44.10		2902.43.10	2902.43.00
	2902.44.90		2902.43.90	2902.43.00
3817.00.10	3817.00.11		2902.44.10	2902.44.00
	3817.00.19		2902.44.90	2902.44.00
3824.90.20	1516.10.10		3817.00.11	3817.00.10
	1516.20.10		3817.00.19	3817.00.10
3824.90.30	3824.90.21		3824.90.21	3824.90.30
	3824.90.22		3824.90.22	3824.90.30