

TOBACCO REFORMS TO START ON 1 JULY 2019

By SHARNI KNOX, Director Compliant Trade Consultancy



As I pick up the paper, I read an all too common occurrence, another news story involving the illegal importation of tobacco. This time, two Melbourne men are arrested for the alleged importation of 1.1 million cigarettes, attempting to evade more than \$10 million in customs duty.

However significant, this represents just a small slice of the criminal pie. An Australian Taxation Office (ATO) News Release Titled 'Illicit Tobacco Taskforce in full force in 2019' revealed the extent of the issue. During the 2016-2017 financial year, the Australian Border Force (ABF) detected more than 240 million cigarettes and 217 tonnes of tobacco at the border. The damage, more than \$356 million in duty evaded.

As part of cracking down on the illicit tobacco trade, the Australian Government in its 2018-19 budget introduced a series of reforms, as detailed in the Australian Government 2018-19 "Black Economy Package –

combatting illicit tobacco". The reform measures are in response to the recommendations put forth by the Black Economy Taskforce in their final report to Government. See Black Economy Taskforce: final report – October 2017 for further information.

With legislation now complete, enacting the Government's commitment to battling the illicit tobacco trade, from 1 July 2019, all involved in the importation of tobacco products, including service providers, will need to be aware of the new regulatory requirements.

These measures are summarised below.

1. Collection of Duty at the border

Currently importers have the option to defer the payment of customs duty applied by transferring the goods to an underbond warehouse facility (warehouse licensed under section 79 of the Customs Act 1901 (Cth)). The customs duty becomes payable once the goods are moved out of the warehouse and entered into home consumption.

From 1 July 2019, customs duty will apply to tobacco products as soon they are imported, removing the ability of tobacco importers to defer the payment of duty using warehousing arrangements. Such measures are aimed at reducing any opportunity for duty avoidance as a result of goods being removed from licensed warehouse facilities without authority.

For tobacco product currently stored in a licensed warehouse, there will be transitional measures in place, with eligible imports/affected parties having 12 months to pay the tax liability. A security will need to be issued to take advantage of such arrangements. The calculation to ascertain the value of such security is still under review.

2. Permit Requirements

From 1 July 2019, the importation of all tobacco products into Australia will

require a valid import permit. This does exclude tobacco purchased by travellers under the existing duty-free allowances.

Tobacco product will be treated as a prohibited import, if entered without a valid import permit or in contravention of permit conditions, and will be seized and disposed of by the ABF directly. The option to re-export, store in a licensed warehouse or on-sell, will not be made available without a complying permit. Further, there will be no option to apply for a permit to be issued retrospectively, at or after the time of import. The Integrated Cargo System (ICS) will require the permit details to be input before tobacco products can be cleared.

It is anticipated that permits will be granted on a shipment by shipment basis and periodically for major importers. This arrangement is also still being finalised.

In the coming months, the ABF, in consultation with the ATO, will be releasing further public information and educational tools. However, in the interim, I draw your attention to the Department of Home Affairs Notice No. 2018/35 for further details. (link below)

<https://www.abf.gov.au/help-and-support-subsite/CustomsNotices/2018-35.pdf>

Stay tuned for further updates and as always shall assistance be needed please feel free to email me direct at sharni@complianttradeconsultancy.com.au



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