

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 14 – 15 February 2007

Question: aet 90

Topic: Accredited Client Program - further to bet 45

Hansard Page: Written

Senator LUDWIG asked:

With reference to the Treasury's response to question BET45 (taken on notice at the 2006-07 Supplementary Budget Hearings) which stated:

“the Government does not generally provide the details of the costings of proposals that are not Government policy and which may or may not have been considered in the policy development process.”

1. Is the Treasury aware that the *Customs Legislation Amendment Act (No. 2) 1999* contained provisions to enable the deferral of customs duty? As mentioned on page 153 of the Australian National Audit Office's report on *Customs' Cargo Management Re-engineering Project* which states:

“Custom's Accredited Client Program is intended to streamline clearance processes. The program was initially part of the CMR business model. The *Customs Legislation Amendment Act (No. 2) 1999* contained provisions to enable the deferral of customs duty.”

2. Is the Treasury also aware that the Revised Explanatory Memorandum for the *Customs Legislation Amendment and Repeal (International Trade Modernisation) Bill 2001* which was passed in 2001, states:

“it is intended that accredited clients will be people who are allowed to defer the payment of goods and services tax and duty. To facilitate this proposal, it intended that regulations will be made under section 132AA of the *Customs Act*, which will allow people who can defer goods and services tax to also defer the payment of duty.”

3. In light of duty deferral being in legislation at the time of the 2004 Budget process, will the Treasury revise its previous position not to release the details of the costings and provide those costings to the committee? If not:
 - a. How can Treasury maintain its position not to provide the details of the costings given duty deferral was in legislation at the time the costings occurred and that therefore the costings formed an integral part of the government's reasoning in changing its policy to favour the revised Accredited Client Program?

4. With regard to (I) the *Customs Legislation Amendment Act (No. 2) 1999* and (II) the *Customs Legislation Amendment and Repeal (International Trade Modernisation) Bill 2001* and (III) the *Customs Legislation Amendment (Border Compliance and Other Measures) Bill 2006*:

- a. Is the Treasury generally required to prepare costings for such legislation where they potentially impact on Commonwealth revenue:
 - i. If so, why?
 - ii. If not, why not? When is Treasury usually required to prepare costings in relation proposed legislation that impacts upon

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Commonwealth revenue and how does this legislation differ from those circumstances?

- b. Did the Treasury prepare a costing of duty deferral, as it impacts upon Commonwealth revenue, in relation to this legislation?
 - i. If not, why not?
 - ii. If so, what date was the costing finalized? Could the Treasury provide the details of that costing?
 - c. Did the Treasury prepare a costing of any provisions of this legislation other than those relating to duty deferral, as they impact upon Commonwealth revenue?
 - i. If not, why not?
 - ii. If so, what date was the costing finalized? Could the Treasury provide the details of that costing?
 - d. Would Customs generally be required to notify the Treasury or refer to it any provisions contained within this legislation?
 - i. If not, why not?
 - ii. If so, did Customs meet this requirement and on what date?
 - e. Was the 2004 Budget process the first time that Treasury conducted any costing in relation to Accredited Client Program?
 - i. If so, could the Treasury explain why there was a long delay between the introduction of the legislation (in this case just items I and II) and when they were finally costed?
5. In the 2006-07 Supplementary Budget Estimates hearing Mr Nigel Ray, General Manager, Tax Analysis Division, stated in relation to the costings of the Accredited Client Program that occurred in the 2004 Budget process:
“Treasury would have costed a number of options around that.”
- a. Could the Treasury provide a brief description of the number of options that it costed?
 - i. If not (e.g. because it would go to the details of advice given to government) could the Treasury at least provide the number of options that were costed as referred to by Mr Ray?

With reference to the evidence given by Mr Jeff Buckpitt, National Compliance Manager the Australian Customs Service, at the 27 April 2006 hearing of the Senate Inquiry into the *Customs Legislation Amendment (Border Compliance and Other Measures) Bill 2006*:

6. Can the Treasury indicate whether it agrees with the following statement made by Mr Buckpitt, and if not detail how it disagrees:

“Treasury costed that as potentially being \$89 million over a four-year period”

7. Can the Treasury indicate whether it agrees with the following statement made by Mr Buckpitt, and if not detail how it disagrees:

“the decision was that the government had concerns about the financial impact of the accredited client program, and the minister was tasked with consulting industry further to develop a proposal which would be acceptable to government and industry—that is, one that did not have the same financial implications for the budget”

With reference to the evidence given by Mr Jeff Buckpitt, National Compliance Manager the Australian Customs Service, at the 25 May 2006 hearing of the Senate Budget Estimates:

8. Can the Treasury indicate whether it agrees with the following statement made by Mr Buckpitt, and if not detail how it disagrees:

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“Under the original model with the accredited client program, duty would be payable on the seventh day of the following month. So, in the case of an accredited client, the duty in respect of their cargo for the month of June would not be paid until 7 July. So, in effect, the impact for the budget is all of the duty for the month of June for all of the accredited clients.”

9. Can the Treasury indicate whether it agrees with the following statement made by Mr Buckpitt, and if not detail how it disagrees:

“it was roughly \$20 million per year that was being pushed from June to July, and when you total that you end up with the \$89 million figure.”

With reference to accounting conventions used by the Treasury in preparation of the budget and costing policy proposals:

10. Can the Treasury explain how it would cost a proposal that involved deferring the collection of \$22.25million in Commonwealth Revenue from one financial year to the next on an ongoing basis? In its response can the Treasury:
- Provide a total estimated cost to the Budget for such a proposal over the first four years of operation?
 - Provide the estimated cost to each individual budget inside the first four years of operation?

With reference to the Accredited Client Program approved as part of the 2005-06 Budget:

11. Can the Treasury confirm whether it performed a costing of the Alternative Cost Recovery System (ACRS) contained within the revised Accredited Client Program as an alternative to the import processing charge for accredited clients?
- If not, why not?
 - Isn't Treasury required to examine all policies which impact on Commonwealth Revenue (for example Treasury's response to question BET82 from 2006-07 Budget estimates indicated that the revenue implications from the Australian Government's decision to increase import processing charges were reported in the 2006-07 Budget") ? If so, why did the Treasury decide not to cost this change?
 - Will Treasury now perform a costing to estimate what the impact of the decision will be?
 - If so –
 - How much was the ACRS estimated to cost the Commonwealth over the first four years of operation?
 - Could the Treasury provide the detail of the costings? If not why not?
 - If the Treasury cannot confirm whether a costing was performed - given the Treasury has previously reported the impact of increasing import processing charges as per part (a)(i), why doesn't the Treasury follow the same approach in this instance?

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Answer:

- (1) The *Customs Legislation Amendment Act (No.2) 1999* amended the *Customs Act 1901* to provide a head of power to enable deferral of customs duty. Section 132 AA, among other things, provides that regulations may provide for the time by which duty on goods must be paid (other than at the time of entry of the goods for home consumption). Such regulations have not been made as there has been no Government decision on this matter, other than that reported in the 2005-06 Budget (Budget Paper No.2, Part 1, page 9) , which has been implemented through the *Customs Legislation Amendment (Border Compliance and Other Measures) Act 2007*.
- (2) Yes.
- (3) See answer to question 1.
- (4) (a)(i) Treasury costs all new policy proposals that have a financial impact on Budget revenue, including tax revenue and customs duties.
(a)(ii) The Government’s decision on this matter was reported in the 2005-06 Budget (Budget Paper No.2, Part 1, page 9), and implemented through the *Customs Legislation Amendment (Border Compliance and Other Measures) Act 2007*.
(b) The Government does not generally provide details of the costings of proposals that are not Government policy and which may or may not have been considered in the policy development process.
(c) The Government does not generally provide details of the costings of proposals that are not Government policy and which may or may not have been considered in the policy development process.
(d) Refer to Paragraph 4.5 of the “Legislation handbook” and Paragraph 4.12 of the “Cabinet handbook”, both of which are available at www.pmc.gov.au.
(e) The Government does not generally provide details of the costings of proposals that are not Government policy and which may or may not have been considered in the policy development process.
- (5) The Government does not generally provide details of the costings of proposals that are not Government policy and which may or may not have been considered in the policy development process.
- (6) Treasury is aware of the statement. The Government does not generally provide details of the costings of proposals that are not Government policy and which may or may not have been considered in the policy development process.
- (7) Treasury is aware of the statement. The Government does not generally provide details of the costings of proposals that are not Government policy and which may or may not have been considered in the policy development process.
- (8) Treasury is aware of the statement. The Government does not generally provide details of the costings of proposals that are not Government policy and which may or may not have been considered in the policy development process.
- (9) Treasury is aware of the statement. The Government does not generally provide details of the costings of proposals that are not Government policy and which may or may not have been considered in the policy development process.

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- (10) The Government does not generally provide details of the costings of proposals that are not Government policy and which may or may not have been considered in the policy development process.

- (11) The Government's decision on this measure and the associated financial impact was reported in the 2005-06 Budget (Budget Paper No.2, Part 1, page 9), and implemented through the Customs Legislation Amendment (Border Compliance and Other Measures) Act 2007.