

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates 30 May – 1 June 2006

**Question: bet 82**

**Topic: Customs duty**

**Hansard Page: E14-15**

**Senator LUDWIG asked:**

This is a transcript of the Senate Legal and Constitutional Legislation Committee, Thursday, 25 May 2006, page 44. There are two parts to it.

**Mr Tune**—It appears to me we are talking about customs duty.

**Senator LUDWIG**—There is also GST on that as well, because there is a GST component. I want to understand a couple of things. One is the more specific issue relating to the accredited client program. Treasury was said to have done a costing of that program and then indicated that they were not going to support it. Then Customs could not proceed with that particular model. I wanted to understand whether that modelling was available. In other words, how and why Treasury would intervene to do that work and, secondly, what assessment they made and how they arrived at that outcome. There are a couple of others as well, but I want to pause there so we can assess where we are up to.

**Mr Tune**—It is around customs duty and GST. The costing, therefore, would have been done by my revenue group colleagues, so I am not in a position to comment on that other than to say that, whilst Treasury would be involved in doing costings of proposals where they involve revenue, that does not necessarily mean that Treasury would support the proposal. There are two distinct phases. Treasury will do the work of a costing, but that does not necessarily lead to Treasury then saying that we support what is being costed.

**Senator LUDWIG**—No, in this instance they did not support what was being proposed. They indicated that Treasury did not agree with the outcome and then asked Customs, by the look of it, to reassess and find a different mechanism, which Customs have subsequently proposed to do.

**Mr Tune**—We are going to have to take it on notice, because the people who would have been involved are not here. As I said, they were on yesterday. We can take it on notice and I can get the story for you and provide that information.

**Senator LUDWIG**—What I might do is take you through this for the purposes of both the transcript and to help those people who may have to look at the issue. There are two matters that I want to have looked at. The first is, as you indicated, the more general process of how and why Treasury would assess or be required to assess, and whether it is a necessity or whether an agency or a department can choose not to have it assessed, if it has revenue implications—be it a tax, customs duty, collection charge or the like. That is a more general question.

**Mr Tune**—I think I have probably covered that one.

**Senator LUDWIG**—Yes. If it has a significant impact on the agency's bottom line, is there advice to the department from Treasury or is it more likely to be a, 'No, you can't proceed with

this'? What is the authority upon which that decision might be made? The second part relates to referral of what is called self-assessment clearance declaration and import processing charges. Effectively, there are two parts. I am happy also to tender a self-assessment clearance declaration explanatory document to help, because it is Customs matters.

**CHAIR**—Again, what do you want to do with this document?

**Senator LUDWIG**—I will tender it for the witness to have a look at. It may help them understand what it is.

**CHAIR**—We need a motion to receive the document.

**Senator MURRAY**—I so move.

**CHAIR**—Yes. That is passed, thank you.

**Senator LUDWIG**—You do not need to read the document at this point. It just explains what a self assessment process charge is. In this instance, what happened was that there was Customs Amendment Regulation 2005 (No. 6), which prescribed a value of \$1,000 below which goods imported other than by post would not be subject to a formal import entry. In effect, what that meant was the threshold was lifted from \$250 to \$1,000 for non-post. So, there is an effect on both GST and duty collection forgone in that instance. The question then is: was Treasury made aware of that decision for those changes to be made by regulation and was there a requirement to make Treasury aware? If there was a requirement and it did then what was the result of that? If it was a requirement and it did not make Treasury aware, why not, and does Treasury have an interest now in discovering that?

If of course there was not a reason for Treasury to be made aware, then it would rest at that point. If Treasury was made aware and there were costings done, is it available to the committee as to how that would impact upon revenue collection by the Customs Service? That is the self-assessment clearance. The second part relates to what is called an import-processing charge. This was a regulation made in 2006, which was called No. 82. It raised the import and warehouse declaration processing charge for imports by air and sea. That is effectively a charge on import processing by the Australian Customs Service. That charge was increased by something in the order of 30 per cent for imports by air. It was a significant increase. It is designed, I think—and I am happy to be corrected—as a way of recovering costs by the Australian Customs Service in import processing. It also means that there are significant charges that are made by the Australian Customs Service.

The first question relates to whether Treasury was made aware of these changes, if it is required to be made aware of those changes. If it is required to be made aware of those changes, was it made aware of those changes and did it do any costings with respect to the import processing charge, the impact on the revenue and if, of course, it was not made aware of these changes, does it believe that it in fact should have been made aware of these increases to these charges? Of course, that would all fall in the bin if you are not required to.

**Mr Tune**—As I said, I will have to go back and talk to a number of people about this. We will take all of that on notice and get back to you as quickly as we can.

### **Answer:**

As outlined in the Department of the Prime Minister and Cabinet's Cabinet Handbook, all matters involving taxation are required to be brought forward by the Treasurer or, where another portfolio minister has a significant interest, by the Treasurer and that minister (paragraph 4.12, page 17). Costings of matters involving taxation revenue must be agreed with the Treasury. Once agreed by the Australian Government, all policy decisions and their financial implications are reported in the Budget or the Mid-Year Economic and Fiscal Outlook (MYEFO).

- The revenue implications from the Australian Government's decision on Customs accredited client programme were reported in the 2005-06 Budget (Budget Paper No. 2, Part 1, page 9).
- The customs duty revenue implications from the Australian Government's decision on the alignment of import entry thresholds for courier and postal imports were reported in the 2005-06 MYEFO (Appendix A, page 66). The GST revenue implications from this decision were reported in the 2006-07 Budget (Budget Paper No. 3, Appendix A, page 37).
- Following the decision to align import entry thresholds for courier and postal imports, the revenue implications from the Australian Government's decision to increase import processing charges were reported in the 2006-07 Budget (Budget Paper No. 2, Part 1, page 10).