



DEPARTMENT OF IMMIGRATION AND BORDER PROTECTION NOTICE

No.2017/25

Biannual indexation of certain customs duty rates for tobacco and tobacco products – 1 September 2017

This notice sets out the new rates of excise-equivalent customs duty on tobacco and tobacco products, operative from 1 September 2017.

The *Customs Tariff Amendment (Tobacco Duty Harmonisation) Act 2017* (the Amendment Act) received the Royal Assent on 15 August 2017, and will commence on 31 August 2017. The Amendment Act separates the indexation provisions for tobacco products subject to a 'per stick' rate from the indexation provisions for tobacco products subject to a 'per kilogram' or 'per kilogram of tobacco content' rate. The indexation provisions are outlined below.

Indexation provisions for tobacco products subject to a 'per stick' rate

Section 19AC of the *Customs Tariff Act 1995* (Customs Tariff Act) provides for the excise-equivalent customs duty rate applied to tobacco products classified to tariff subheadings where the amount of customs duty is determined on a 'per stick' basis to be indexed biannually, in March and September, to the average weekly ordinary time earnings (AWOTE). In addition, from 1 September 2016 until 1 September 2020, an additional indexation factor of 12.5 per cent is applied to the September indexation subsequent to AWOTE indexation.

Indexation provisions for tobacco products subject to a 'per kilogram' or 'per kilogram of tobacco content'

The Amendment Act inserts Section 19ACA. This section applies to tobacco products classified to tariff subheadings where the amount of excise-equivalent customs duty is determined on a 'per kilogram' or 'per kilogram of tobacco content' basis. This section provides for the excise-equivalent customs duty rate applied to these goods to be adjusted biannually in March and September at the same time that the 'per stick' rate is indexed. The new rate will be determined by dividing the 'per stick' rate by the weight conversion factor that applies for the 12 month period commencing on 1 September of the relevant year.

Equivalent amendments were made to the *Excise Tariff Act 1921*.

Calculation of excise-equivalent customs duty rates operative from 1 September 2017

On 17 August 2017, the Australian Bureau of Statistics released the AWOTE figure for the June Quarter 2017 (1543.2). The AWOTE indexation factor is calculated by dividing the most recent AWOTE figure by the highest AWOTE figure for a previous June or December quarter that does not precede the 2012 December Quarter.

The figures used to calculate the excise-equivalent customs duty rates that apply from 1 September 2017 are set out in the table below:

Most recent AWOTE	Highest previous June or December Quarter AWOTE	Indexation factor	Additional factor	Weight conversion factor for September 2017 and March 2018
June Quarter 2017	December Quarter 2016			
1543.2	1533.4	1.006	1.125	0.000775

As the AWOTE indexation factor is greater than one (1.006), the excise-equivalent customs duty rates for tobacco products subject to the ‘per stick’ rate, in Schedule 3 of the Customs Tariff Act, will be increased by application of the indexation factor and the additional factor.

$\text{Tobacco duty rate on the day before the indexation day (\$0.61726/stick)} \times 1.006 \times 1.125 = \$0.69858/\text{stick}$
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Consistent with the provisions of Section 19ACA of the Customs Tariff Act, the excise-equivalent customs duty rates for tobacco products subject to the ‘per kilogram’ or the ‘per kilogram of tobacco content’ rate, in Schedule 3 of the Customs Tariff Act, will be increased by applying the weight conversion factor (0.000775) to the indexed ‘per stick’ rate.

$\text{Duty rate for other tobacco} = \frac{\text{In stick form rate (\$0.69858/stick)}}{\text{Weight conversion factor (0.000775)}} = \$901.39/\text{kg}$
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The excise-equivalent customs duty rates for tobacco and tobacco products, operative from 1 September 2017, are set out in Table 1 and supersede the rates outlined in the Department of Immigration and Border Protection Notice 2017/05.

The rates referenced above also apply to goods subject to indexation in:

- Schedule 5 (US originating goods)
- Schedule 6 (Thai originating goods)
- Schedule 7 (Chilean originating goods)
- Schedule 8 (ASEAN-Australia-New Zealand originating goods)
- Schedule 9 (Malaysian originating goods)
- Schedule 10 (Korean originating goods)
- Schedule 11 (Japanese originating goods) and
- Schedule 12 (Chinese originating goods) in the Customs Tariff.

The Department of Immigration and Border Protection (the Department) will arrange for the publication of a Notice of Substituted Rates of Customs Duty Notice for excise-equivalent goods (No.4) 2017 in the *Gazette*.

The Australian Taxation Office (ATO) will make equivalent changes to the rates of duty on excise goods outlined in Table 2. Further information can be found on the ATO website at: <http://law.ato.gov.au/atolaw/view.htm?Docid=PAC/BL030002/1&PiT=99991231235958>.

Please direct any inquiries about these matters to the following contacts:

for customs duty rates

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Department of Immigration and Border
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for excise duty rates

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Australian Taxation Office
21 Genge Street
CANBERRA ACT 2600
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The Online Tariff will be updated prior to the commencement of the new rates.

(Signed)
David Coyles
Acting Assistant Secretary
Trade and Customs Branch
23rd August 2017

TABLE 1: CUSTOMS TARIFF ACT 1995 - TARIFF SUBHEADINGS AFFECTED BY 1 SEPTEMBER 2017 AWOTE INDEXATION

<u>Customs Tariff Subheading</u>	<u>New Rates of Duty Operative from 1 September 2017</u>
2401.10.00	\$901.39/kg
2401.20.00 2403.11.00 2401.30.00 2403.19.90 2402.10.80 2403.91.00 2402.20.80 2403.99.80	\$901.39kg of tobacco content
2402.10.20 2403.19.10 2402.20.20	\$0.69858/stick

TABLE 2: EXCISE TARIFF ACT 1921 - EXCISE ITEMS AFFECTED BY 1 SEPTEMBER 2017 AWOTE INDEXATION

<u>Excise Tariff Item / Subitem</u>	<u>New Rates of Duty Operative from 1 September 2017</u>
5	Tobacco, cigars, cigarettes and snuff
5.1	\$0.69858 per stick
5.5	\$901.39 per kilogram of tobacco content