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Customs issues arising from the 2005/2006 Federal Budget

Tucked away in the papers released with the Federal Budget for the 2005/2006 (actually within the budget papers for the Attorney-General's Department) is a chapter on budget outcomes for the Australian Customs Service.

Some of the highlights from the relevant budget papers can be summarised as follows:

- The 3% tariff applying to business inputs imported under a Tariff Concession Order (TCO) is to be removed **with effect from 11 May 2005**. Currently, imports imported under a TCO attract a 3% concessional tariff rate even though there is no Australian industry producing those goods. The measure was introduced in 1996 and its removal will provide these business inputs with duty free entry. This is consistent with the recommendations of the Productivity Commission which were released recently (and which were reported in an earlier update). According to the budget papers, this measure is expected to cost $1.29 billion over 5 years including $36 million for 2004/2005.
- The Government has agreed to provide Customs an additional $7.4 million over 4 years to extend facilities in China to strengthen its capacity to deal with anti-dumping matters, other trade measures and border protection. This is a strong sign as to the increased importance for China.
- The total departmental appropriation for Customs in the budget is $783.2 million.
- During 2005/2006 Customs are to receive an 'equity injection' of $16.4 million which includes $1.5 million for an increase in Customs compliance resources and $800,000 for the arming of Australian Customs vessels.
- Customs have adopted a new 'Outcome and Outputs Map' which has lead to reorganisation of some tasks with different 'Output Groups' within Customs. For example, anti-dumping and countervailing administration is no longer seen as a separate Output Group but is now treated as part of 'Output Group 3' covering cargo regulation, trade facilitation and revenue collection.
- Output Group 2 now covers 'Border Compliance and Enforcement'. According to the budget papers, Customs have forecast that they will:
  - adopt between 18-25 fraud and evasion cases for prosecution.
  - target 10% of imports for revenue and compliance assurance activity (based on the customs value of goods).
  - target 10% of exports for compliance activity (based on the FOB value of goods).
  - adopt between 55 cases for investigation into potential fraud or evasion.
  - target 133,000 'teu' of containers to be inspected and x-rayed at Customs CEF.
- It is anticipated that there will be 3,822,000 Customs import declaration lodged and 1,320,000 export declarations issued.
- In terms of cost recovery arrangements, the most significant is the 'commercial' aspects associated with import processing charges and container logistics costs. According to the budget papers, revised and restructured import processing charges will be implemented once the import version of the Integrated Cargo System is implemented 'early in the 2005/2006 Financial Year'. Details have yet to arrive. However, charges for low value goods that do not require formal entry processes will be eliminated and incorporated into the importer warehouse processing declaration charges.
- Customs is budgeting for an expected surplus in 2004/2005 of approximately $15.5 million more than half of which is a surplus from savings in relation to southern ocean enforcement activity.
- Additional funds for the operation of the container examination facilities will be provided through the **DoTARS budget**. Of additional funds being made available for maritime security,
  - 48 million over four years will be provided to increase the rate of container examination at the CEF in Sydney, Melbourne, Brisbane and Fremantle.
  - Enabling Customs to board more vessels at the first port of arrival at the cost of $9.3 million.
  - Extending Customs close circuit television network from 32 ports to 63 ports at the cost of $17 million over four years.

  It is interesting that this funding comes from the DoTARS budget!

For those of you dealing with or reporting the entries of goods subject to TCO and on which a 3% import duty has previously been paid, you will need to pay careful attention to releases from Customs as to how the new reporting arrangements regarding the abolition of the 3% import duty is to be implemented. **Details are set out in ACN 2005/18 issued earlier today!**