



# Tariffs and Customs.

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## TARIFFS AND CUSTOMS – DUTY CONCESSIONS

A GUIDE FOR INVESTORS

The Australian Government has several programs that allow for the duty-free or concessional entry of goods into Australia:

- › **The Policy and Project By-Laws Program** – several schemes are included under this generic heading including the Enhanced Project By-Law Scheme (EPBS) and Certain Inputs to Manufacture (CIM). The schemes provide duty concessions on eligible goods including certain inputs to manufacture where equivalent goods are not available in Australia or the goods to be imported are technically superior to the Australian made version.
- › **The Tariff Concession System** – for entry of goods into Australia free of duty, where substitutable goods are not produced in Australia.
- › **The Tradex Scheme** – enables goods to be imported without the payment of duty or taxes, including GST, provided the goods are to be exported or incorporated in goods for export within twelve months of importation.

### The Enhanced Project By-Law Scheme

The Enhanced Project By-Law Scheme (EPBS) provides tariff concessions on eligible goods for major projects in the mining, resource processing, food processing, food packaging, manufacturing, agriculture and gas supply industry sectors. Since 1 July 2006 the EPBS has included power supply and water supply.

Eligible goods for the petroleum and minerals industries under EPBS include: functional units; procurement/equipment packages; and pipes, pipelines, conveyors, and flexible flow lines used to convey gas,

liquids, minerals or other materials. Stainless steel is also an eligible good where it is a direct input to the manufacture of other eligible goods. Only eligible goods integral to the project may be eligible for a tariff duty concession. Exploration and other services to the mining industry are excluded.

The eligibility criteria used to assess an EPBS application include:

- › **Sector eligibility** – projects in the mining, resource processing, food processing, food packaging, manufacturing, agriculture and gas, power and water supply industry sectors are eligible to apply for an EPBS duty concession.
- › **Expenditure threshold** – projects must have total project expenditure on eligible goods of \$10 million or greater.
- › **Availability of Australian substitutable goods** – Only eligible goods that are not produced in Australia in the ordinary course of business or are technologically more advanced, more efficient or more productive than all goods currently available from Australian production will be eligible for a concession under the EPBS.
- › **A satisfactory Australian Industry Participation (AIP) Plan** – successful applicants must demonstrate how they intend to provide full, fair and reasonable opportunity to Australian industry to supply goods and services to the project.
- › **Prospective in nature** – applications must be lodged with AusIndustry before eligible goods which are the subject of the EPBS applications are imported.

Project proponents in eligible industry sectors are invited to apply for the EPBS tariff duty concession where the project meets the above eligibility criteria. Applicants interested in applying for the EPBS concession should contact AusIndustry at the earliest possible stage of a project. EPBS Policy and Administrative Guidelines are available from the AusIndustry website: [www.ausindustry.gov.au](http://www.ausindustry.gov.au).

### Certain Inputs to Manufacture

The Certain Inputs to Manufacture (CIM) scheme provides an opportunity for duty relief on certain imported raw materials and intermediate goods. The concession applies to certain inputs to production that are substantially and demonstrably superior to comparable goods produced in Australia.

The scope of the scheme is quite narrow with eligibility restricted to inputs to production classified under certain chapter headings in Schedule 3 of the *Customs Tariff Act 1995*. Raw materials and intermediate goods consisting of chemicals, plastics and paper goods are eligible for concession when, in the opinion of the Minister, they have a substantial and demonstrable performance advantage in the production of a specific end product over substitutable goods produced in Australia. Metal materials and goods are eligible for a concession where they have a substantial and demonstrable performance advantage and are used in the packaging of food.

Information on this scheme is available on the AusIndustry website: [www.ausindustry.gov.au](http://www.ausindustry.gov.au).

### Tariff Concession System

The Tariff Concession System is a mechanism for granting concessional entry for imported goods as a means of helping local industry. It is administered by the Australian Customs Service. Certain classes of goods (specified on the Excluded Goods Schedule, and including foodstuffs, clothing and passenger motor vehicles) are not eligible.

Under this System, a Tariff Concession Order (TCO) is granted and maintained if substitutable goods are not produced in Australia. Substitutable goods are defined as Australian made goods which have a use corresponding to a use of the imported goods.

When applying for a TCO the onus is on the applicant to ensure that, based on information expected to be held and enquiries made or expected to be made by the applicant, there are sufficient grounds for asserting that the application meets the core criteria - that is, substitutable goods are not produced in Australia in the ordinary course of business.

Further information is available at: [www.customs.gov.au](http://www.customs.gov.au).

### Tradex Scheme

The Tradex Scheme allows exporters an up-front exemption from import tariff duties, and other taxes (apart from excise taxes but including the Goods and Services Tax) on imported goods to be re-exported or to be incorporated in goods to be exported. The scheme thus largely removes the need to drawback these charges after export.

The eligibility criteria applying to the Tradex Scheme include the following:

- › the applicant intends to import nominated goods that are to be subsequently exported;
- › the nominated goods will be exported within one year after entry into home consumption; and
- › adequate record keeping and accounting systems are in place in respect of the nominated goods until they are exported.

Prospective customers are required to complete a Tradex application form for approval as a Tradex Order holder under the Scheme. The application needs to be received prior to the importation of the goods. Upon approval, customers are required, for compliance purposes, to engage in active self-assessment, including the keeping of appropriate records. Details of customer obligations are set out in the *Tradex Scheme Act 1999*. A link to this legislation can be found under 'Tradex' at [www.ausindustry.gov.au](http://www.ausindustry.gov.au).

The Duty Drawback facility remains in place to allow for a repayment of import duty paid on imported goods after they are exported. This is to account for importers who, at the time of import, did not know whether the goods were to be subsequently exported or entered for domestic consumption.

### Other Concessions

The oil and gas industries may make use of a concession covering goods for use in connection with petroleum and natural gas exploration and well development (Item 22 in Schedule 4 to the *Customs Tariff Act 1995*). This item was amended in early 2004 to allow for concessions for goods up to the head of horizontal "christmas trees" in exploration and development wells.

See the Australian Customs Service website [www.customs.gov.au](http://www.customs.gov.au) or contact the Resources Division, DITR for further information (contact details at Leaflet 20).

