Australian Government
Department of the Prime Minister and Cabinet

DEREGULATION
AGENDA

Streamlining Excise Administration

Streamlining excise administration for fuel and alcohol

Assistant Minister's foreword

The Australian Government is committed to making it easier to do business in Australia.

Our Deregulation Agenda is focussed on reducing regulatory barriers and making it simpler and easier for businesses to grow and create jobs.

In December 2020, the Assistant Treasurer, the Hon Michael Sukkar MP, the Assistant Minister for Customs, the Hon Jason Wood MP, and I announced a review of Australia's excise and excise-equivalent customs duty systems covering fuel, beer and spirits by the Government's Deregulation Taskforce.

This comprehensive review is aimed at cutting regulatory overheads for business, supporting new investments in our fuel security and world-leading beverage manufacturing sector. This will not just reduce red tape for business, it will enable the Australian Taxation Office (ATO) and the Australian Border Force (ABF) to focus on higher-value and higher-risk enforcement activities.

In the course of its initial engagement the Deregulation Taskforce sat down with a broad range of businesses and industry leaders to gain a 'factory floor' perspective of their day-to-day operations. These stakeholders were passionate about their business, the quality of their products and their contribution to the community.

I thank them for sharing their passion and knowledge.

The Deregulation Taskforce has now identified a number of potential opportunities to improve the excise and excise-equivalent customs duty system, through both administrative and legislative reforms. These are outlined in this discussion paper.

Separately, the Government's 2021-22 Budget has tripled the excise refund cap for small brewers and distillers from $100,000 to $350,000 per year – also supporting jobs and investment in these sectors.

Streamlining excise and excise equivalent customs duties systems will complement the Government's plan for economic recovery, our Fuel Security Strategy, Modern Manufacturing Strategy, as well as the our Simplified Trade System reform agenda.

I am now pleased to release this public consultation paper for public comment and welcome your feedback.

The Honourable Ben Morton MP

Assistant Minister to the Prime Minister and Cabinet

Assistant Minister to the Minister for the Public Service

Assistant Minister for Electoral Matters

July 2021

Contents

Abbreviation List

ABF: Australian Border Force

ATO: Australian Taxation Office

BAS: Business Activity Statement

COAC: Crude Oil and Condensate

CPI: Consumer Price Index

Customs Act: *Customs Act 1901*

EEG(s): Excise-Equivalent Good(s)

Excise Act: *Excise Act 1901*

GST: Goods and Services Tax

PSP: Periodic Settlement Permission

R&D: Research and Development

VRU: Vapour Recovery Unit

WET: Wine Equalisation Tax

1 Introduction

Australian businesses manufacturing, importing, and distributing fuel and alcohol products contribute significantly to the Australian economy, accounting for around $42 billion (or 8.5 per cent of total Commonwealth revenue in 2021-22) through excise and excise-equivalent customs duty payments..[1] These businesses enable consumer choice, underpin fuel security, and create jobs and economic growth.

For over a decade, key stakeholders (including refiners, distillers, brewers, distributors, and freight and logistics businesses) have argued Australia's excise and excise-equivalent goods (EEGs) duty system ('excise system') could be more efficient. In particular, they have focused on unnecessarily complex, cumbersome, and duplicative processes that impose demands on business resources that would otherwise be focused on productive, jobs-and growth-generating, activities. Business has suggested that inefficiencies in the excise system are likely also to impose unnecessary time burdens on skilled officials from the ATO and the ABF, detracting from a focus on high-risk compliance.

On 22 December 2020, the Australian Government announced the Department of the Prime Minister and Cabinet's Deregulation Taskforce (the Taskforce) would work with businesses and regulators to co-design a more administratively efficient excise system for fuel and alcohol products. Guiding this work is the principle the excise system should achieve revenue and other risk management objectives with the least possible cost to businesses and the economy, while achieving equivalency between domestically-manufactured and imported goods. To support implementation of this principle, the scope of the Taskforce's review includes the administrative efficiency of the excise system for businesses manufacturing, importing, or distributing relevant fuel and alcohol products. However, the base and rate of tax are out of scope. The review does not extend to tobacco or the Wine Equalisation Tax (WET) regime.

As part of this exercise, the Taskforce has been working with businesses and regulators to understand how the excise system operates and to identify ways it might be improved. Throughout early 2021, in particular, the Taskforce met approximately 45 businesses and peak business bodies across the fuel and alcohol sectors. This allowed the Taskforce to identify irritants common across the excise system (Section 3) and others specific to the alcohol (Section 4) and fuel (Section 5) industries.

The Taskforce noted business experience varied across the fuel and alcohol sectors depending on a business' size, location in the industry supply chain and interactions with the excise system. To illustrate the range of experiences, this consultation paper includes indicative, anonymised case studies built on insights gleaned by the Taskforce through business engagement.

The Taskforce also commissioned Accenture, an international consultancy, to conduct an independent review and analysis of comparable regimes overseas. Examining excise systems in New Zealand (NZ), the United Kingdom (UK), Singapore, and Norway, Accenture's review found similarities with Australia's as well as various differences in the frequency of settlement, taxation point and underbond.[2] process. This paper draws on Accenture's findings throughout. Accenture's report will also be available as a separately downloadable attachment for information.

This paper complements the Taskforce's direct engagement with Australian businesses and other stakeholders. It provides high level insights from the Taskforce's 'factory floor' consultations and seeks targeted feedback from businesses throughout the Australian economy affected by or interested in the excise system. The Taskforce's approach has emphasised building a robust evidence base for reform by quantifying regulatory imposts on business through the excise system. Submissions are welcome to provide further evidence of the excise system's regulatory impacts on business, including quantitative estimates.

[1] Budget Strategy and Outlook: Table 5.10 (Budget Paper No 1, Budget 2021-22) p151

[2] 'Underbond' in this paper refers to goods that have been manufactured or imported and are being stored or moved with the permission of the regulator prior to the duty becoming payable.

Insights from the 'factory floor'

The Taskforce conducted targeted consultation throughout the first half of 2021 with a broad spectrum of 45 stakeholders, ranging from small microbrewers and distillers to large fuel companies and industry associations. This consultation took a 'factory floor' approach; endeavouring to observe and understand the day-to-day operations of the businesses and their touch points with the excise and EEG regimes.

This consultation did not reveal a system that was fundamentally broken, but highlighted a number of areas where regulation was overly restrictive, imposed unnecessary costs or stifled innovation and growth. This collective feedback has helped shape this consultation paper.

The feedback highlighted irritants that were common to all commodities; for example, stakeholders raised the:

- tight lodgement and payment cycles
- complexity and time involved in applying for and complying with licences and permissions
- restrictive refund time periods
- inefficiency in dealing with two systems (excise and customs) for similar goods.

The feedback also highlighted irritants specific to industries; for example, alcohol industry stakeholders raised the:

- compliance burden associated with the calculation and payment of ad valorem duties
- learning curve and information gaps for those starting their business.

The fuel industry stakeholders raised, for example, the:

- administrative burden of the underbond system and later taxing point
- complex taxation of bunker fuels (fuel used in ships).

Questions

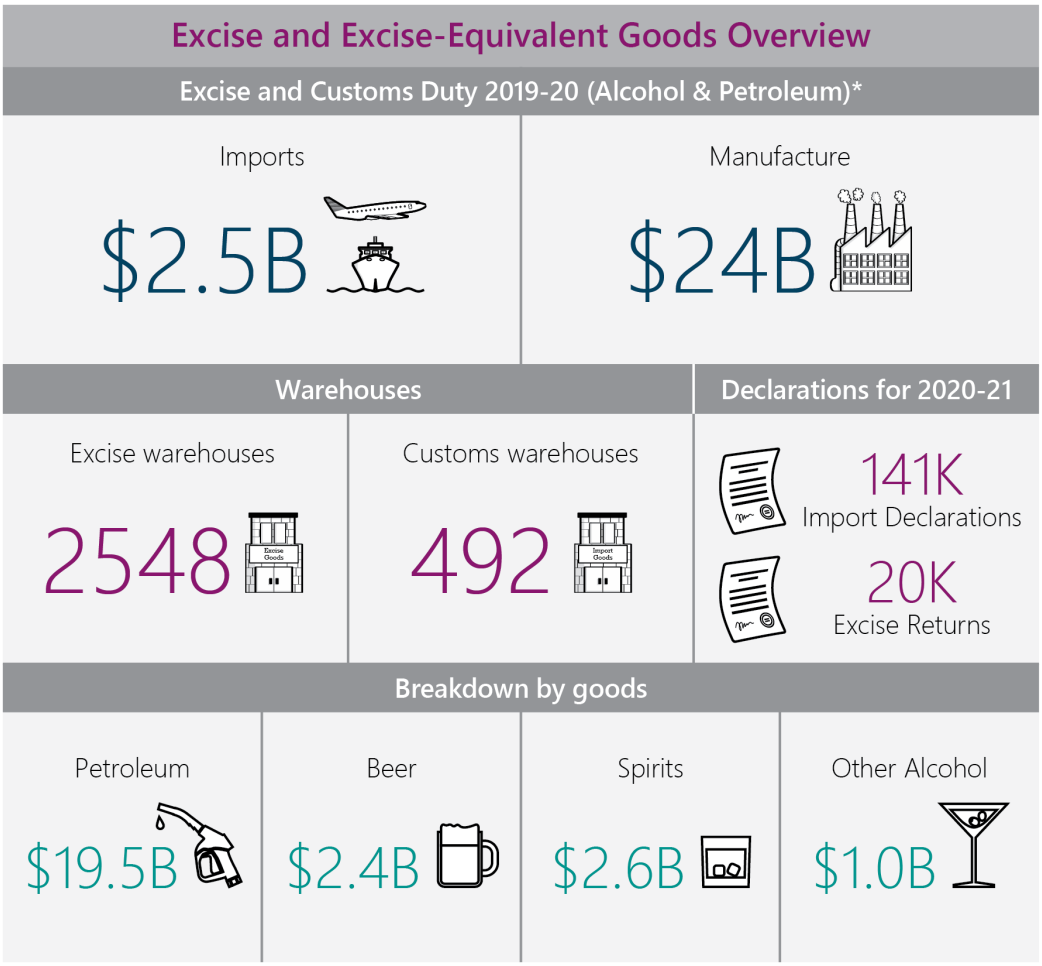
1. Could you describe your business and how it engages with the excise system (e.g. manufacturer, importer, customs broker, distributor, duty-free business)? Do you have any general suggestions for how the efficiency of collecting excise could be improved?
2. Does your business have experience with or knowledge of overseas excise systems that you would like to share? Do you think Australia should incorporate any aspects of overseas best practice?

2 System overview

When alcohol and fuel products are 'manufactured'[3] in Australia they are subject to excise duty as stipulated in the *Excise Tariff Act 1921* (Excise Tariff Act). When these goods are imported and entered into 'home consumption'[4] without further manufacture they are subject to an excise-equivalent duty under the *Customs Tariff Act 1995* (Customs Tariff Act). The Excise and Customs Tariff Acts contain similar provisions, the aim being to ensure an equivalent tax liability is applied to goods of the same type, whether manufactured in Australia or overseas.

Businesses report, lodge and pay excise duty to the ATO for domestically manufactured alcohol and petroleum, and to the ABF for EEGs. Under both the *Customs Act 1901* (Customs Act) and *Excise Act 1901* (Excise Act) businesses must be licensed to warehouse imported goods, and to manufacture and store excisable goods. EEGs are managed by the ABF as part of the 57 million air cargo and 4.5 million sea cargo consignments cleared to enter Australia as legitimate imports in 2019-20.

The Australian Customs Service (a predecessor to the ABF) administered all aspects of the excise system until 1999, when the government transferred responsibility for collection of excise on locally manufactured goods to the ATO. Under the Better Regulation Ministerial Partnership in 2010, the government also charged the ATO with managing warehoused EEGs to cut compliance costs for business and deliver administrative efficiencies for government. The government launched a further Partnership in 2011-2013 to examine how to further streamline EEG administration, but did not implement reforms at the time.



*"includes all sources of customs duty except tobacco

[3] Under the Excise Act, manufacture may include the blending of fuel or petroleum products.
[4] 'Home consumption' is used in the excise system to refer to the delivery of goods into the Australian economy.

3 Common Issues

3.1 Streamlining licensing requirements

When fuel and alcohol products are underbond they must be stored in a licensed premise. Before a business can transport fuel and alcohol products between licensed premises, they require permission from a regulator.

While the ATO administers licences and permissions under the Excise Act for domestically manufactured goods and the Customs Act for EEGs, the ABF administers Customs warehouse licences and Customs depot licences under the Customs Act for non-EEG goods.

Currently, both the ATO and ABF issue licences on a site-by-site basis, with movements between sites requiring permission. If a business has five manufacturing locations, for example, it must hold five licences. Moreover, if this business has underbond deliveries to seven separate locations, each of these seven 'from' and 'to' locations needs to be set out in a valid permission.

> 'We are constantly engaging with suppliers and customers and have a whole bunch of different warehouses… the documentation behind it is highly onerous for us.'

Licensing arrangements differ across the excise system. There is no fee for an excise licence (issued by the ATO), but these need to be renewed every three years. Alternatively, customs licences (issued by the ATO for EEGs and ABF for other goods) need to be renewed annually, incurring a fee of $4,000 each year as well as an initial application fee of $3,000.

Businesses have raised concerns about aspects of the licensing requirements that impose a regulatory burden, which include:

- applying for and updating licences and permissions on a site-by-site basis
- renewing licences (every three years for excise and annually for customs).

Both regulators and business may benefit from an entity-level approach to licences and permissions, and from licences that continue until cancelled by the regulator or business. Currently, site based licensing enables Government to issue conditions and requirements on a premise-by-premise basis. It also allows regulators to address compliance issues on a premise-by-premise basis rather than affecting all of the business operations. If an entity-based scheme were to be adopted, it may be desirable to retain these features of the current system.

Questions

3. What is your experience with dealing with licensing and permission requirements? Does your business have to deal with both excise and customs licensing? Please provide an indication of how much time or effort is taken up with this aspect of the system.
4. Would you benefit from entity-level licensing and a longer or ongoing licence period? Are there any other suggested approaches to help streamline licensing requirements from a business perspective?

3.2 Better alignment of systems and regulators

Domestically produced and imported fuel and alcohol are subject to separate legislation and regulated by two main agencies, the ATO and the ABF, with overlapping responsibilities. Locally-manufactured goods (including imports further manufactured in Australia) are subject to the excise legislation and administered by the ATO, while EEGs are subject to the customs legislation administered jointly by the ATO and the ABF. Currently, the ABF collects revenue on EEGs when entered for home consumption without further manufacture in Australia. The ABF also provides tariff advice to importers on EEGs and is responsible for refunds and drawbacks on eligible excise-equivalent customs duty. The ATO administers licences, permissions and remissions for EEGs and manages revenue compliance for those goods held in a licensed warehouse.

The division of responsibilities between the ATO and the ABF can create irritants for businesses trading in both domestically manufactured and imported goods, as well as businesses holding EEGs in warehouses before entering them to home consumption. In consultations with the Taskforce, industry raised a number of irritants, including:

- the requirement to hold an excise licence and a customs licence for the same premises
- different compliance approaches, administrative policies, and customer service capabilities between regulators
- cost and inefficiency in engaging with both regulators on a single issue or even in relation to a single good
- the requirement to lodge three entries when imported goods are used in local manufacture
- the requirement to lodge and pay with two regulators, whose roles and responsibilities are sometimes ambiguous.

> "We can get stuck in a loop, going between regulators to find answers …"

Accenture's international research showed a variety of approaches. The UK and Singapore have a single revenue collection agency (Her Majesty's Revenue & Customs and Singapore Customs, an agency of the Singaporean Ministry of Finance), with border control agencies (UK Border Force and Singapore's Immigration and Checkpoints Authority) focusing on non-revenue issues. Conversely, in NZ all declarations, payments and enquiries are managed by NZ Customs, with Inland Revenue playing a limited residual role. In Norway, responsibilities for excise are shared between customs and tax authorities (as is currently true in Australia), with businesses interacting with different agencies for different purposes.

Different international models may have various strengths and weaknesses. In consultations with the Taskforce, businesses noted multiple difficulties and frustrations attendant to dealing with multiple regulators on similar (and sometimes even the same) issues. In its report, Accenture noted excise systems overseas tend to be administered by a single regulator. Accenture also observed where foreign systems involve multiple regulators, responsibilities tend to be clearly delineated across agencies.

Case Study – misaligned remissions requirements for out-of-date beer

Belafonte Beverages Ltd (BBL) distributes beer and spirits to retailers in Australia, some of which are imported from overseas while others are manufactured in Australia. Prior to sale in Australia these goods are held underbond in warehouses licensed by the ATO under the Customs Act and the Excise Act.

In June 2021, BBL identified several pallets of beer in one of their warehouses that had passed its 'best before' date and was therefore not able to be sold. The beer was a combination of imported beer and beer manufactured by BBL in Australia.

To extinguish the duty liability on these goods, BBL must consider remission requirements for imported beer under customs legislation and domestically-manufactured beer under excise legislation. The ATO administers the remissions for both.

For domestically-manufactured beer the duty liability will be extinguished by destroying the goods and maintaining records of the destruction to account for the goods if subject to audit. The remission is automatic, with no requirement to engage with the regulator, so long as the volume required to be destroyed in a quarterly period is less than 125 litres of alcohol and the business manufactured the beer.

For the imported beer, to extinguish the duty, BBL must:

- write to the regulator seeking a remission
- wait for the remission to be approved
- destroy the goods and maintain records of the destruction.

Case study – misaligned refund entitlements for return of flood-damaged beer and spirits

In April, BBL delivered a quantity of beer and spirits from their underbond warehouses. The product was a combination of domestically produced and imported goods, so they paid excise duty to the ATO as well as customs duty to the ABF. The alcohol went to a warehouse operated by BBL, but not licensed for excise and customs, to be held prior to distribution to retailers.

In May 2021, there was a flood at the warehouse and a quantity of beer and spirits were damaged such that it was no longer fit for sale or consumption. BBL consider their refund options, with regard to the excise legislation for the domestic products and customs legislation for the imported products.

For the domestic beer and spirits they can claim a refund of the excise duty paid if they destroy the goods, either by returning them to the licensed warehouse or to a person the company authorises to have the goods destroyed. The refund application is made to the ATO.

For the imported beer and spirits they cannot claim a refund. The customs legislation does not allow for a refund of duty for goods that have been duty paid but then returned to a licensed place.

Questions

5. Does your business engage both the ATO and the ABF as part of the excise system? If so, are there any ways in which your experience could be improved? Has engaging multiple agencies caused friction for your business? If so, how?
6. For imported fuel and alcohol, is there a product pathway that could reduce duplication and inefficient interactions with the two regulators?

3.3 Simplifying reporting and payment

Frequency and alignment

Generally for warehoused goods, businesses must pay excise and excise-equivalent customs duty, and lodge returns either:

(a) before the goods are released from the customs or excise warehouse, or

(b) weekly or monthly after the goods are released, if they hold a periodic settlement permission (PSP)..[5]

Small businesses (turnover < $50 million) are able to lodge returns on a monthly basis and settle relevant liabilities by the 21st day following the end of the calendar month. In contrast, larger businesses (turnover > $50 million) must lodge weekly returns and pay excise by 4pm on the first business day after end of the settlement week..[6]

Small and large businesses have advised that the high reporting frequency diverted resources from their core functions while also creating significant stress for their employees. In some cases, businesses reported difficulties in accurately completing returns given tight reporting timeframes – a problem that appears to be particularly acute for businesses managing complex, large-scale operations. These large businesses are required to submit 52 returns per year within rigid timeframes. Businesses suggested arrangements such as these created large administrative burdens. They also noted misalignment with monthly goods and services tax (GST) reporting and bi-annual indexation of rates.

The Taskforce's consultations suggest businesses often need to amend their excise returns to correct previous mistakes. Businesses suggested frequent reporting with short deadlines encourages an overly cautious approach to excise compliance.

> 'The timing can be really tight … and we often overpay the amount, just to make sure we are compliant.'

Accenture's international research revealed Australia's weekly or monthly reporting cycle is unusually onerous on businesses and regulators. Jurisdictions such as NZ, the UK and Norway, rely on monthly, bi-annual or annual reporting, instead.

Making the excise system reporting cycle less frequent (for example monthly for larger businesses, or quarterly or annually for smaller businesses) could help ease the administrative burden imposed on business through the excise system. More broadly, the misalignment of excise system reporting with other business taxes could be remedied in the longer term by incorporating excise into the business activity statement (BAS) or a functionally-equivalent future instrument.

Questions

7. Would a different frequency of reporting and payment be a benefit for your business? Should there be different frequencies depending on business turnover, amount of excise liability, or alternative criteria?
8. Would greater alignment to GST and WET reporting be desirable?
9. In the longer term, would you like to see excise reporting incorporated into the BAS?

Indexation

The indexation of excise and customs duty rates for fuel and alcohol occurs bi-annually based on the Consumer Price Index (CPI). Indexation generally occurs on 1 February and 1 August, but most recently will occur on 2 August 2021 (a Monday).

[5] All goods that are directly imported must have duties paid prior to the release of the goods. Businesses under the Australian Trusted Trader scheme are able to defer some of these duties.

[6] An exception to this is for gaseous fuel used in transport (Liquefied Petroleum Gas, Liquefied Natural Gas and Compressed Natural Gas). For these fuels the business has until the sixth business day following the end of settlement week to pay and lodge.

Generally, there is typically only a short period between the release of the CPI and when the new rates take effect. For example, the latest indexation of CPI was released on 28 July 2021, only two business days prior to taking effect..[7]

Indexation was introduced in 1983 and designed to eliminate problems associated with past discretionary increases – both for government and industry – by maintaining the real value of excise collections and providing a greater degree of stability for consumers and industry..[8] Since the early 1990s, Australia's monetary policy has targeted an inflation rate of two to three per cent. Inflation targeting has contributed to the low rate of CPI related increases in duty rates compared to the 1980s when indexation was introduced.

Businesses need to incorporate indexation changes into their systems and consider the impact on pricing for both the business and their customers. The frequency of rate changes and the short lead time to implement them creates a significant administrative burden for both businesses and regulators. Businesses also have different capabilities in responding to CPI changes by passing on or absorbing associated costs, and the risk will vary depending on the business size and product type.

In addition to the short lead time (or timeframe), rate changes are typically misaligned with other business reporting periods. This means businesses have to either lodge one 'split' excise return (with separate product lines for the different rates) or two excise returns for the period. Each excise return requires a business to complete the excise return form with particulars of the goods that have been delivered.

> 'In order to deal with the rate changes and not make pricing errors with our customers, we actually shut down our warehouse for a period … for us, whether or not the product gets the new rate or the old rate depends on when the truck leaves the warehouse.'

The current timing of rate changes also creates compliance costs for businesses that use fuel and claim fuel tax credits on their BAS. Businesses that have paid excise or customs duty in the price of the fuel can receive a credit, known as a fuel tax credit, subject to certain conditions. Businesses may need to apply different rates if the rate changes partway through a BAS reporting period. In such circumstances, business may need to determine when they acquired the fuel to ensure the correct rate is applied.

Alignment with excise reporting periods could avoid the need for split or multiple returns. Greater notice of rate changes should provide more certainty and minimise disruptions to business. Still, any change would need to be weighed against the timing impact on government revenue and the need to ensure revenue integrity is maintained.

Questions

10. How could indexation arrangements be better aligned with other business reporting processes? Would a longer notice period be beneficial to your business? If so, how much notice would be ideal?

Refunds

Businesses can claim refunds of excise and customs duty in certain circumstances and subject to time limits. These circumstances include where a business has overpaid in error. For businesses importing and manufacturing goods, the differences between the Excise and Customs legislation can lead to different treatment for similar circumstances (and sometimes even the same goods). Excise and customs refunds are subject to different legal frameworks, and over time these have become misaligned..[9]

[7] The dates that excise and customs duty rates are indexed are set in law, in the Excise Tariff Act and the Customs Tariff Act respectively. Where the CPI is not published at least five days before the scheduled indexation day (1 February and 1 August), the day the rate change takes effect is pushed back. This is why the most recent rates change will take effect 2 August, not 1 August.

[8] Second reading of the Excise Tariff Amendment Bill 1983, Hansard, 9 November 1983, p. 2466.

[9] Excise and customs refunds are set out in the Excise Regulation 2015 and Customs Regulation 2015 respectively.

Businesses have raised concerns around this misalignment, with an emphasis on time limits. A business is not entitled to a refund if it has overpaid excise duty (on domestic manufactures) in error and the error occurred more than 12 months ago. Conversely, a business has four years to claim a refund if the business has overpaid excise-equivalent customs duty (mirroring the period the Commonwealth may levy claims on unpaid duties under the Customs Act).

The principle of equivalency suggests it might be desirable to align refund time limits for excise and EEGs.

Questions

11. Are there any other areas of misalignment between the excise and customs refund provisions that create a regulatory burden?

4 Alcohol

4.1 Smaller alcohol manufacturers and start-ups

Streamlining regulation for manufacturers under $350,000

From 1 July 2021, eligible brewers and distillers are able to receive a full remission of any excise they pay, up to an annual cap of $350,000.[10] Prior to this, eligible brewers and distillers were entitled to a refund of 60 per cent of the excise they pay, up to an annual cap of $100,000.

This tax relief measure aims to support these businesses through COVID-19 and provide consistency between support programs for eligible alcohol manufacturers and wine producers (the WET Producer Rebate allows a maximum of $350,000).

In 2020-21, the ATO provided refunds to over 800 clients as part of the excise refund scheme for alcohol manufacturers. Approximately half of these clients will no longer have any annual excise liability after applying the excise remission scheme.

Given there is little or no excise revenue at risk under these circumstances, it may be possible to implement a more efficient regulatory regime. This could mean a substantial reduction in the frequency of reporting (quarterly or annually), simplification of licensing and potentially the removal of movement and destruction permissions.

The Taskforce spoke to many small brewers and distillers across the country about their experience with the excise system. Businesses conveyed how time consuming the excise system can be, particularly for very small businesses with only a few staff members. Start-up distillers and brewers also raised this issue as they can spend several years in the research and development phase of their business. As a consequence, they can be encumbered by monthly reporting obligations and permission requirements even when they have no excise liability.

> 'We need to be allowed to do our research and development at a small scale, so we can get over those early hurdles and get our business off the ground … and *then* worry about excise once it's relevant.'

A more efficient system could allow businesses to signal their intention to engage with the excise system fully, once their excise liability exceeds the $350,000 threshold, without the system being a burden in the meantime. This could partially be achieved through administrative change rather than legislation, allowing a more flexible approach to risk management.

Questions

12. If you are a smaller brewer or distiller, what is your experience of the burden involved in complying with the excise system?
13. What other changes would you suggest to simplify and streamline the system for smaller alcohol manufacturers?

Information clarity for new entrants

The complexity of the excise system seems to favour large, established businesses – those who have already invested in understanding and setting up their operations in line with the system. For new entrants, the excise system seems to present a significant barrier to entry. The Taskforce met with many smaller alcohol manufacturers who relied on having a 'mentor' in

[10] *Aligning the excise refund scheme for brewers and distillers with the producer rebate for wine producers* (Budget Paper no. 2 2021-22).

the industry to help overcome the initial hurdles (which are not just in the excise system – state and local government requirements are also burdensome to start-ups).

'Nothing is easy to find out in the early stages …I'm lucky I had a mentor!'

Major ethanol producers often supply the smaller distilleries with beverage-grade ethanol underbond and develop a close working relationship as a result. The Taskforce found these producers take on an 'education role', and the small distiller may come to them as their first port of call to deal with confusion around licensing and movement permissions. There may be benefit in having some form of welcome package to help potential entrants avoid non-compliance.

Case Study – craft distiller

Fiona, who has a long term interest in the craft of distilling, decides to start her own small gin distillery business – a one-person operation, at least to begin with. Getting the new business off the ground is not straightforward. Fiona finds there are multiple barriers to entry and a complex administrative journey is necessary to get goods out the door even once established.

The processes and forms involved seem to be designed for very large, industrial-scale operations, rather than small craft distilleries. Forms repeatedly ask for the same information in different sections and some processes are circular. For example, Fiona is asked to identify her distilling equipment on her application for a licence, but is unable to purchase distilling equipment until she has the licence. Fiona is able to overcome these hurdles through engaging directly with ATO staff, who she finds very helpful, but would value a system that was designed with her circumstances in mind and which was not so inflexible as to require bespoke work-around solutions.

Once Fiona has her licence, she is able to commence her R&D and start working towards making a saleable product – a process which can take one or two years. During this time, she needs to report 'nil' returns to the ATO on a monthly basis, as well as complying with movement and destruction permissions, even though no excisable product is being sold. State liquor licensing and local government applications provide an additional overlay of government interactions for her business.

Question

14. Do you think the government guidance is sufficiently clear to assist new entrants to the excise system? Would a user-friendly guide be desirable?

4.2 Taxing point

An earlier taxing point

The timing of when excise or customs duty becomes payable on alcohol (the 'taxing point') is influenced by a number of factors.

For excise, the liability to pay duty falls on the licensed manufacturer, or the owner of the goods if the owner is the one who enters them for home consumption. Excise is paid to, and a return lodged with, the ATO periodically..[11]

[11] The ability to pay excise periodically, rather than before every delivery of alcohol, requires a PSP issued by the ATO. It is common for excise payers in the alcohol industry to have PSPs, with payment and lodgement required weekly.

For customs, the liability to pay duty falls on the owner of the goods. Customs is paid to, and a return lodged with, the ABF periodically..[12]

While excise duty is imposed on goods at the time they are manufactured or imported, the duty is not payable (triggered) until the goods are physically moved from a licensed ('bonded') location. This is referred to as 'delivery for home consumption'.

The current system of licences and permissions (the underbond system) allows excisable goods to be produced and moved without the duty being triggered until they leave the last licensed site, typically at the wholesale distribution level.

Moving the crystallisation of the excise and excise-equivalent customs duty liability to an earlier point in the supply chain could help to eliminate some of the burdens of the underbond system – such as certain licences and movement permissions. However, given the distinct structure of the fuel and alcohol sector each may need a different approach.

Parts of the alcohol industry choose to endure the cumbersome underbond system in order to delay their payment of the duty for cash flow reasons. For products requiring lengthy maturation periods, such as whisky, it can be difficult for a business to pay duty well in advance of being able to sell the final product.

The Taskforce is interested in feedback on whether there is scope to bring the taxing point forward in a way which may suit the alcohol supply chain. One example could be setting the taxing point to where the alcohol product has reached its 'final finished form', meaning there would be no need for bonded storage and movement permissions from that point onward. This approach could see some 'trimming' of the underbond system for alcohol, similar to the fuel approach discussed below. This, coupled with a less frequent reporting and payment cycle, has the potential to reduce costs for business and regulators.

Questions

15. Do you see any scope for the taxing point to be brought forward for the alcohol sector? Is there a particular approach you would like to see implemented? What would the potential benefits, concerns or issues be with this shift for your business?

Greater alignment with other indirect taxes

An alternative direction could be to move the alcohol excise taxing point closer to the treatment for other indirect taxes, such as the WET while retaining the licensing controls of the current system.

The WET is a value-based tax (29 per cent) and is designed to be paid on the last wholesale sale of wine, which usually occurs between the wholesaler and retailer. WET liabilities and credits are reported on the BAS, and so the WET is already aligned with other business reporting requirements. WET is also payable on imports of wine. For imports, WET is payable at the time of importation unless you are entitled to defer the WET by quoting your Australian business number.

Some businesses that deal with both wine (WET) and alcohol (excise) did not see a compelling reason for having different tax regimes for similar products.

> 'A brewery is really no different to a winery from our perspective – why are we in separate systems?'

Moving the alcohol excise taxing point to the 'last wholesale sale' may essentially have the same effect as the current taxing point of 'delivered for home consumption'. But it would have the benefit of greater alignment between wine and other alcohol products, and pave the way for greater alignment between similar products in the longer term (e.g. BAS reporting). From a tax system design perspective, it seems desirable to move towards aligning excise with the design of other indirect taxes – in pattern with natural accounting systems and reporting cycles used by business.

[12] The ability to pay excise-equivalent customs duty periodically, rather than before every delivery of alcohol, requires a PSP issued by the ATO. It is common for importers of alcohol to have PSPs.

Questions

16. Do you think it would be preferable to adopt a WET-style taxing point for excisable alcohol products? Would there be potential benefits, concerns or issues with this approach for your business?

4.3 Ad valorem customs duty for imported alcohol

Businesses importing spirits into Australia from overseas may, depending on whether the goods qualify for preferential tariffs under trade agreements, incur a customs duty of up to 5 per cent on the value of the goods (or 'ad valorem') in addition to any excise-equivalent customs duty. In 2020-21, this ad valorem customs duty raised approximately $18 million.

Businesses that import spirits and store them underbond have indicated there are high administrative costs associated with tracking the ad valorem customs duty alongside the excise-equivalent customs duty as goods move through the underbond system.

The complexity arises because excise-equivalent customs duty is levied based on the volume of alcohol in a particular good, while the ad valorem is levied based on the value of a consignment in Australian dollars on the day they were shipped from their country of origin. This means each consignment of EEGs has to be tracked through the underbond system as a single unit, hampering efficient stock-management practices and complicating record-keeping. These problems are particularly acute when goods pass from business-to-business while still underbond, creating complex chains of ownership.

Businesses engaged in the importation of EEGs have suggested the total compliance burden of administering the ad valorem customs duty possibly exceeds the value of the revenue raised. They also speculated that the ad valorem is likely to raise considerably less revenue pending conclusion of Free Trade Agreements between Australia and the UK and the European Union, which currently account for the overwhelming majority of the modest revenue collected under this head.

Disconnecting the payment of ad valorem from other import duties could simplify administration of tax both for business and government – this could, for example, allow payment of the ad valorem customs duty at the point of importation, eliminating the need to track this liability throughout the underbond system.

Case study – tracking and paying ad valorem

Maclary Drinks Ltd (MDL) distributes beer and spirits to retailers and wholesalers in Australia, some of which are imported from overseas while others are manufactured in Australia. Prior to sale in Australia these goods are held underbond in warehouses licensed by the ATO under the Customs Act.

One of the product lines that MDL imports is bottled Scotch whisky which attracts an ad valorem customs duty of 5% of the customs value. The alcohol by volume is 42%.

In March 2021, MDL imported 100 bottles of Scotch whisky and stored them underbond in their warehouse. The customs value of the goods was $4,300 ($43 per bottle). The cost of freight and insurance ($500) is required to be added to calculate the GST liability for this import.

In April 2021, MDL imported 70 bottles of Scotch whisky and stored them underbond in their warehouse. The customs value of the goods was $3,850 ($55 per bottle). The cost of freight and insurance ($400) is required to be added to calculate the GST liability for this import.

Hercules Wholesalers Pty Ltd (HWPL) purchase beer and spirits from importers including Scotch whisky from MDL and sell to alcohol retailers in Australia. These goods are held underbond in warehouses licensed by the ATO under the Customs Act. HWPL also hold a periodic settlement permission that allows them to lodge and pay by the 21st day following the end of a calendar month.

In June 2021, HWPL deliver beer and spirits from their warehouse; this includes 80 bottles of Scotch whisky they purchased underbond from MDL. On 21st July HWPL lodge a return with ABF for the beer and spirits they delivered in June.

For the 80 bottles of Scotch whisky they calculated the excise-equivalent customs duty as follows:

80 bottles x 0.7 litres per bottle x 42% ABV x $87.68 per litre customs duty rate = $2,062.23

To calculate the ad valorem duty HWPL need to know the customs value of the 80 bottles they purchased and which of this stock was delivered. They source this information from MDL who advise that 65 of the bottles of whisky had a customs value of $2,795 ($4,300 x (65/100)), and 15 of the bottles of whisky had a customs value of $825 ($3,850 x (15/70)).

For the 80 bottles of Scotch whisky they calculated the ad valorem customs duty as follows:

$3,620 customs value x 5% ad valorem = $181

Questions

17. How large is the administrative burden associated with the ad valorem customs duty on spirits (what costs do you incur complying with its requirements, in terms of time and money)? Can you suggest any ways of reducing this burden?

4.4 Other issues for the alcohol sector

Minimising overlapping regulation

Businesses trading in alcohol are often regulated by multiple levels of government, and multiple government agencies. The Taskforce is examining ways of reducing the attendant regulatory burdens by introducing 'tell-us-once' regulatory regimes. Businesses manufacturing beer or spirits require an excise licence from the ATO as well as additional licences issued by state and territory authorities. As a consequence, they often have to provide the same or similar information to multiple authorities, particularly regarding 'fit and proper person' tests. The Taskforce is interested in whether this process can be streamlined.

Questions

18. Can you identify any instances where businesses involved in the excise system might benefit from increased information sharing or mutual recognition of accreditation across different levels of government, or across multiple government agencies?

Blockchain technology

Businesses have observed that the excise system is based on outdated technologies, with many manual and sometimes paper-based processes. These technologies are often inconsistent with the systems modern businesses use for processes closely related to tax administration, such as financial and supply chain management software. Indeed, in some instances business have to maintain old computers simply to access antiquated Government systems.

The Minister for Industry, Science, and Technology, the Hon Christian Porter MP, recently announced a $2.6 million blockchain pilot grant to Convergence.tech, a Victorian consortium, as part of the Government's Digital Business Package.

This grant will support work exploring if and how blockchain technology could be used to automate key reporting processes under the excise system (such as the reporting of the creation, storage, and transportation of products).

It may also be possible to reduce the administrative burden on business of the excise system by using other regulatory technology (or 'regtech') solutions.

Questions

19. Can you identify any aspects of the current excise system that might be improved using new or emerging regulatory technology solutions (e.g. blockchain)?
20. Can the excise system be modified to better utilise or integrate with technologies already used by businesses? If so, how?

Samples

Samples of excisable alcohol product will generally trigger an obligation to lodge returns and pay excise duty. An exception to this is where the business has applied to the ATO and received approval to deliver small samples (e.g. required for testing and evaluation) without paying duty. In this case, the business must still keep records of any approved samples delivered.

The taskforce has heard from some businesses that when the excise imposed on samples is negligible, accounting for sample movements can be an annoyance – the administrative burden likely exceeds the revenue at stake. It is a common business activity to provide small samples of product to potential customers in order to secure a larger order of that product – a 'pre-delivery' sample. Businesses noted this type of sample will not currently be approved by the ATO as a 'small sample', so will be subject to excise.

Case study – samples

Wheelbarrow Whisky (WW), a medium-sized Australian whisky distiller, is trying to grow its business through expanding into new markets domestically and overseas. To do this, WW sends small samples of whisky (as little as 50mL) to prospective customers who may then be interested in purchasing the product in bulk. The excise on the sample is negligible – but trying to keep track of the excise requirements for sending out a multitude of these samples is burdensome and stressful.

As a business with only a small number of employees, time WW spends dealing with forms and permissions for excise samples means time taken away from more important aspects of running the distillery.

Questions

21. If you are an alcohol manufacturer, could you describe how your business uses samples (e.g. for testing, product development, marketing)? How could excise requirements for samples be simplified?

Duty-free sector

The duty free industry has a very different regulatory experience to other alcohol retailers, but has a turnover in excess of $700 million, making it a major part of the excise system. While most alcohol retailers engage with the ABF solely on imports of products for domestic sale, the duty free industry engages with many aspects of the excise and excise-equivalent regimes.

During the Taskforce consultations industry highlighted the need for alignment between regulators and more streamlined regulations through entity-level licensing. Duty free operators are required to have an individual licence for each premise in

an airport as well as the on-airport warehouse. Consolidating these licences under a single entity could reduce the duplication of information and the administrative burden.

The COVID-19 pandemic has had a significant impact on duty free operators and the industry has told the Taskforce more flexibility (in both the legislation and its administration) would help meet these new challenges. This includes the ability to sell duty-paid goods to domestic passengers in international airports.

Industry has also highlighted that their position of trust, and differentiated treatment based on good compliance, is a positive feature of their experience with regulators. Building a concept of trusted operators more broadly might enable duty free operators to maintain compliance whilst allowing for growth.

Questions

22. What changes specific to the duty free industry are needed to reduce the regulatory burden for excise and EEGs?

5 Fuel

5.1 Taxing point

The timing of when excise or customs duty becomes payable on fuel (the 'taxing point') is influenced by a number of factors.

'Fuel' in this context covers any liquid petroleum products, including fuel (e.g. petrol and diesel) and liquid hydrocarbons used for other purposes (such as solvents, oils and greases, and some recycled/re-refined oils); gaseous fuels (Liquefied Petroleum Gas, Liquefied Natural Gas and Compressed Natural Gas); biodiesel and fuel ethanol.

For excise, the liability to pay duty falls on the licensed manufacturer, or the owner of the goods if the owner is the one who enters them for home consumption. Excise is paid to, and a return lodged with, the ATO periodically..[13] For excise-equivalent customs duty, the liability to pay duty falls on the owner of the goods. Excise-equivalent customs duty is paid to, and a return lodged with, the ABF periodically..[14]

While excise duty is imposed on goods at the time they are manufactured or imported, the duty is not payable (triggered) until the goods are physically moved from a licensed ('bonded') location (typically a refinery or bulk fuel terminal). This is referred to as 'delivery for home consumption'.

The current system of licences and permissions (the underbond system) allows excisable goods to be produced and moved without the duty being triggered until they leave the last licensed site, typically at the wholesale distribution level.

While the underbond system effectively allows duty deferral, businesses have told the Taskforce this is complex and the required licences and permissions impose significant regulatory costs.

> 'The complexity of the regime is compounded by the 'underbond system' pushing liability further down the fuels supply chain than is necessary, and also with the excise and customs duty interactions.'

Taxing fuel at an earlier point in the distribution chain, and limiting the reach of the underbond network, could remove the requirement to hold licences and permissions for those storage locations downstream. If coupled with a less frequent reporting and payment cycle, this has the potential to reduce costs for business and regulators.

Case Study – current fuel refiner-marketer underbond network

Production, import and storage

TL Fuels Pty Ltd (TLF) is a fuel refiner-marketer that produces fuel (including petrol, diesel and aviation fuel) at its Melbourne refinery (the refinery) and also supplements that production by importing fuel into a bulk fuel terminal (the terminal) located 20km away at the main port. TLF hold licences for the refinery and the terminal under both the Excise Act and the Customs Act.

The fuel from the refinery is piped to the terminal for storage. TLF hold a permission under the Excise Act to allow the products to move underbond. The imported products are received into the terminal via ship.

[13] The ability to pay excise periodically, rather than before every delivery of fuel, requires a PSP issued by the ATO. It is common for excise payers in the fuel industry to have PSPs, with payment and lodgement required weekly.

[14] The ability to pay excise-equivalent customs duty periodically, rather than before every delivery of fuel, requires a PSP issued by the ATO. It is common for importers of fuel to have PSPs.

Supply

Aviation fuel is piped from the terminal directly to the airport where it is used for both international and domestic flights. TLF hold a permission under the Excise Act to allow the products to move underbond. Excise is triggered when domestic aircrafts are fuelled at the airport. There is no excise payable for international flights.

Petrol and diesel is loaded into road tankers at the terminal via a gantry. Some of these road tankers directly supply retail service stations. Excise is triggered when the product leaves the terminal.

Some of these road tankers take petrol and diesel to other bulk fuel terminals (downstream terminals) prior to its supply to retail service stations. TLF hold permissions under the Excise Act to allow the products to move underbond. Excise is triggered when the product leaves the downstream terminals.

Questions

23. Would taxing at the point fuel is supplied from the following locations (only) reduce the number of licences and permissions required by your business?

    - refineries

    - other premises where fuel products are manufactured

    - premises receiving bulk fuel products (via a direct ship or pipeline transfer).

24. Does there need to be a differentiated approach to taxing point depending on the type of fuel e.g. for gaseous fuels for use in transport (Liquefied Petroleum Gas, Liquefied Natural Gas and Compressed Natural Gas)?

5.2 Other issues for the fuel sector

Bunker fuels

Bunker fuels are fuels used in commercial ships. These fuels are *effectively* duty free, however this is achieved through intricate rules that require the supplier to assess whether the fuel is being supplied for an international or domestic voyage.

For international voyages, the fuel can be supplied free of duty. For domestic voyages, the full transport rate of duty must be paid and then claimed as a fuel tax credit by either the shipping operator or their agent.

Businesses have told the Taskforce that these complex rules impose additional compliance costs and cash flow constraints on both the shipping industry and fuel suppliers. In particular, the determination of the status of the voyage can be very fact specific and open to interpretation. Supplying bunker fuel free of duty incorrectly might leave the fuel supplier liable for the excise; conversely, imposing duty when it is not necessary impacts cash flow and may even result in the loss of business to other suppliers.

Removing the requirement to pay duty on fuels, where it can be demonstrated the supply is for commercial vessel use, may reduce these costs for business and regulators.

> 'As a fuel supplier, it's often difficult to determine whether a vessel has disconnected from an international voyage and is then subject to the excise system'

Case Study – Complexity in tax treatment of bunker fuels

AKB Shipping Ltd (AKBS) operates a foreign-owned ship and is registered for GST. After arriving in Brisbane from Singapore, it discharges some international cargo and plans to acquire bunker fuel for the onward journey from a local fuel supplier, TL Fuels Pty Ltd (TLF). AKBS then accepts a spot charter to transport domestic cargo from Brisbane to Sydney and Melbourne. After unloading that cargo in Melbourne, it departs for Auckland where it discharges the balance of the international cargo.

Although it has international cargo on board, none of it was unloaded in Sydney or Melbourne. Also, no international cargo was loaded at either port. As a result, the two legs conducted between Brisbane and Sydney and Sydney and Melbourne have interrupted the international voyage. They are a short-term disconnection to that voyage. The sole purpose of those legs was to transport domestic cargo.

After lengthy discussions with AKBS about the nature of the Brisbane, Sydney, Melbourne journeys prior to departure, TLF determine that they must pay excise and GST to the ATO on the supply of the bunker fuel because it is a domestic voyage. TLF include the amount of excise and GST in the price.

In addition to acquiring bunker fuel upon which excise and GST has been paid, AKBS must pay customs duty and GST to ABF on fuel that was on-board when they arrived in Brisbane and consumed during that domestic travel.

AKBS claim on their monthly BAS a fuel tax credit for all of the excise and customs duty paid and input tax credits for the GST that was paid.

Questions

25. Do you envisage any difficulties for your business with removing bunker fuels from the excise (and fuel tax credit) system?

Gaseous Fuels

In 2011, gaseous fuels - Liquefied Petroleum Gas (LPG), Liquefied Natural Gas (LNG) and Compressed Natural Gas (CNG) - became subject to excise and excise-equivalent customs duty.

Like liquid fuels, businesses that manufacture, store and move these fuels require licences and permissions from the ATO. There are however some important differences in how gaseous fuels are taxed.

The effective fuel tax for gaseous fuels is only applied to gaseous fuels for transport use. Rather than a straightforward taxing (through the excise system) and crediting (through the fuel tax credit system) this effective tax treatment occurs via a range of alternative mechanisms. These are:

- **duty is paid** by the supplier and there is no credit - basically fuel for transport use
- **duty exempt** - duty is never imposed on the goods
- **duty remission** - duty is notionally imposed but not applied if supplied for non-transport use
- **fuel tax credit claimed** - duty claimed back because it is being used by a business in a non-transport use.

In 2020-21, only $61.2 million was collected on gaseous fuels.

Businesses have told the Taskforce that the excise requirements for gaseous fuels are complex and difficult to comply with. In particular, taxing these fuels based on their intended end use requires the distribution chain to be bonded down to the point where suppliers can determine what the end use of the fuel will be. That is, a series of licences and permissions from the ATO are required to ensure, to the extent possible, that tax is not payable on gaseous fuel *not* used in transport.

'…the complexity and cost of administering the scheme for these fuels are disproportionate to the small and declining revenue received from these niche transport fuels.'

Questions

26. Are there ways that the administrative cost and complexity of the excise on gaseous fuels can be reduced?

Onshore crude oil and condensate licences

The Australian excise system includes duties on domestically produced crude oil and condensate ('COAC'), reflecting what is essentially a resource tax on these goods. However, excise is payable only once the relevant oil and gas fields surpass cumulative production of 30 million barrels. There are only 2 areas that have reached this level of production and pay duty, both located offshore to the north-west of Western Australia.

Offshore COAC and onshore COAC are treated differently in one important respect. For offshore, production below the 30 million barrel threshold is *exempt*; for onshore, a 'free rate' of excise duty applies for production below this threshold. The effect of this is that onshore producers are required to be licensed and meet obligations under the Excise Act from the first drop of production despite no duty being payable.

These excise requirements impose a regulatory burden on business and on the ATO, which administers these licences.

'In effect, there is not expected to be any excise incurred for onshore crude oil and/condensate production in Australia. Despite this, all onshore producers are required to meet the on-going verification, administrative and compliance obligations imposed by the excise regime'.

If the excise system treated onshore and offshore COAC consistently this could remove the regulatory burden on producers without impacting the amount of duty collected from these products.

Questions

27. Would any changes specific to onshore crude oil and condensate reduce the regulatory burden on business?
28. Are there any concerns or issues with removing the excise licensing requirements for onshore producers of crude oil and condensate where production is below the 30 million barrel threshold?

Double-taxation of lubricants

Domestically manufactured petroleum based oils, including lubricants, are subject to excise at a rate of 8.5 cents per litre. Imported petroleum based oils are subject to excise-equivalent customs duty at the same rate.

The duty is collected on these oils to notionally fund the product stewardship oil (PSO) scheme; a program that supports the environmentally sustainable management of used oil by paying benefits to entities that recycled it.

Petroleum based lubricants have a wide variety of uses, including in engines to reduce friction between moving parts. They are manufactured using base oil to which additives are blended to achieve the desired properties and performance characteristics.

Businesses importing lubricants, or the blend stocks for lubricants, have told the Taskforce there are circumstances where they are required to effectively pay duty twice on the imported lubricants - once as customs duty at the time the product or blend stock is imported and again when it is used in the manufacture of the finished product.

Case Study – double taxation of imported lubricants

The business

Yann Oil Pty Ltd (YO), an Australian manufacturer and supplier of lubricant oils, imports base oil in drums/containers and then further process and blend it with proprietary additives to produce own-brand lubricant oil for sale in 5 litre containers.

The product pathway and duty treatment

YO complete a Nature 10 entry and pays the customs duty to the ABF (at 8.5 cents per litre) when the base oil is imported.

From the place of import the base oil is then moved to a third party facility where it is stored at a high temperature to maintain a low viscosity.

From the third party facility the base oil is moved to YO's blending and processing facility, which is licensed under the Excise Act.

YO further processes and blends additives to produce an own brand lubricant for sale in 5 litre containers.

YO pays excise duty on the lubricant manufactured, including the component that was imported.

Under the current law, YO is unable to clawback or net off the customs duty that has already been paid.

A change to the customs refund provisions to allow a refund could assist business to avoid paying duty twice on imported lubricants.

Questions

29. Are there any concerns or issues with eliminating the double taxation of lubricants used in further manufacture?

Vapour Recovery Unit refunds

A refund of excise duty can be claimed when fuel (upon which duty has already been paid) is returned to a fuel terminal licensed under the Excise Act. This includes where vapour that is pumped out of a tank at a service station into a road tanker is returned to the fuel terminal and converted back into liquid fuel using a Vapour Recovery Unit (VRU). In many parts of Australia the state-based environmental protection laws require the capture of vapour.

The principle behind refunding excise in these circumstances is to avoid duty being effectively applied twice.

To claim refunds for returned vapours the ATO requires each established VRU to be tested every 6 months by independent testers that are accredited by a relevant state body or certified by the National Association of Testing Authorities (NATA). For new VRUs, testing is required each quarter in the first year. These test results are used to establish the rate at which vapours are converted into liquid (the recovery rate) for each VRU and are used to calculate the refunds.

The ATO's VRU policy has been in place since 2002 as an agreed method to account for fuel vapours returned to an excise premise and is limited to those petroleum suppliers involved in supplying fuel into the Australian market that have VRUs.

Fuel suppliers have told the Taskforce that the VRU calculations are complex, time consuming and that the frequent testing is costly relative to the amount of the refunds claimed.

'…the biannual testing required for the ATO is an additional cost to the business incurred purely for the purposes of calculating the refund of duty as part of the VRU return to bond volumes.'

'…around 140 hours per annum would be spent on this exercise.'

Questions

30. Would the establishment of a single rate or percentage for Vapour Recovery Unit refunds reduce complexity and cost for business and the ATO? If not, are there alternatives that would deliver this outcome?

6 Consultation questions

Introduction

1. Could you describe your business and how it engages with the excise system (e.g. manufacturer, importer, customs broker, distributor, duty-free business)? Do you have any general suggestions for how the efficiency of collecting excise could be improved?
2. Does your business have experience with or knowledge of overseas excise systems that you would like to share? Do you think Australia should incorporate any aspects of overseas best practice?

Common issues

3. What is your experience with dealing with licensing and permission requirements? Does your business have to deal with both excise and customs licensing? Please provide an indication of how much time or effort is taken up with this aspect of the system.
4. Would you benefit from entity-level licensing and a longer or ongoing licence period? Are there any other suggested approaches to help streamline licensing requirements from business's perspective?
5. Does your business engage both the ATO and the ABF as part of the excise system? If so, are there any ways in which your experience could be improved? Has engaging multiple agencies caused friction for your business? If so, how?
6. For imported fuel and alcohol, is there a product pathway that could reduce duplication and inefficient interactions with the two regulators?
7. Would a different frequency of reporting and payment be a benefit for your business? Should there be different frequencies depending on business turnover, amount of excise liability, or alternative criteria?
8. Would greater alignment to GST and WET reporting be desirable?
9. In the longer term, would you like to see excise reporting incorporated into the BAS?
10. How could indexation arrangements be better aligned with other business reporting processes? Would a longer notice period be beneficial to your business? If so, how much notice would be ideal?
11. Are there any other areas of misalignment between the excise and customs refund provisions that create a regulatory burden?

Alcohol

12. If you are a smaller brewer or distiller, what is your experience of the burden involved in complying with the excise system?
13. What other changes would you suggest to simplify and streamline the system for smaller alcohol manufacturers?
14. Do you think the government guidance is sufficiently clear to assist new entrants to the excise system? Would a user-friendly guide be desirable?
15. Do you see any scope for the taxing point to be brought forward for the alcohol sector? Is there a particular approach you would like to see implemented? What would the potential benefits, concerns or issues be with this shift for your business?
16. Do you think it would be preferable to adopt a WET-style taxing point for excisable alcohol products? Would there be potential benefits, concerns or issues with this approach for your business?

17. How large is the administrative burden associated with the ad valorem customs duty on spirits (what costs do you incur complying with its requirements, in terms of time and money)? Can you suggest any ways of reducing this burden?
18. Can you identify any instances where businesses involved in the excise system might benefit from increased information sharing or mutual recognition of accreditation across different levels of government, or across multiple government agencies?
19. Can you identify any aspects of the current excise system that might be improved using new or emerging regulatory technology solutions (e.g. blockchain)?
20. Can the excise system be modified to better utilise or integrate with technologies already used by businesses? If so, how?
21. If you are an alcohol manufacturer, could you describe how your business uses samples (e.g. for testing, product development, marketing)? How could excise requirements for samples be simplified?
22. What changes specific to the duty free industry are needed to reduce the regulatory burden for excise and EEGs?

Fuel

23. Would taxing at the point fuel is supplied from the following locations (only) reduce the number of licences and permissions required by your business?

    - refineries

    - other premises where fuel products are manufactured

    - premises receiving bulk fuel products (via a direct ship or pipeline transfer).

24. Does there need to be a differentiated approach to taxing point depending on the type of fuel e.g. for gaseous fuels for use in transport (Liquefied Petroleum Gas, Liquefied Natural Gas and Compressed Natural Gas)?
25. Do you envisage any difficulties for your business with removing bunker fuels from the excise (and fuel tax credit) system?
26. Are there ways that the administrative cost and complexity of the excise on gaseous fuels can be reduced?
27. Would any changes specific to onshore crude oil and condensate reduce the regulatory burden on business?
28. Are there any concerns or issues with removing the excise licensing requirements for onshore producers of crude oil and condensate where production is below the 30 million barrel threshold?
29. Are there any concerns or issues with eliminating the double taxation of lubricants used in further manufacture?
30. Would the establishment of a single rate or percentage for Vapour Recovery Unit refunds reduce complexity and cost for business and the ATO? If not, are there alternatives that would deliver this outcome?

7 Responding to this paper

Request for feedback and comments

The Taskforce is seeking your submissions addressing the issues raised in this paper, evidence of the regulatory impact on your business and any other areas you wish to raise. You are welcome to provide responses to a smaller number of questions as relevant to your business, or to provide a general response as preferred.

Submissions can be lodged electronically or by post (electronic lodgement is preferred). Please submit responses sent via email on a Word or RTF format. You may also wish to submit a PDF version.

The Taskforce will consult broadly and directly with industry representatives and other interested parties on the topics discussed in this consultation paper. This may involve conducting targeted consultations with stakeholders on specific issues where more information and views are required. For enquiries, please contact: DeregulationExcise@pmc.gov.au

Closing date for submissions: Tuesday 31 August 2021

Email	DeregulationExcise@pmc.gov.au
Mail	Deregulation Taskforce Department of the Prime Minister and Cabinet PO Box 6500 CANBERRA ACT 2600

Publication of submissions and confidentiality

Unless you specifically indicate you would like all or part of your submission to remain confidential, your full submission (including name and address details) will automatically be made available to the public through the Taskforce's website (http://deregulation.pmc.gov.au). Respondents who would prefer part of their submission to remain confidential should note this explicitly, providing confidential information in a separate and clearly labelled attachment. Automatically generated confidentiality statements in emails do not suffice for this purpose. Legal requirements, such as those imposed by the *Freedom of Information Act 1982*, may affect the confidentiality of your submission regardless of your preferences.