



Import Processing Charges Amendment Bill 2005

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Law and Bills Digest Section

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Import Processing Charges Amendment Bill 2005

Date Introduced: 26 May 2005

House: House of Representatives

Portfolio: Justice and Customs

Commencement: The procedural clauses of the Import Processing Charges Amendment Bill 2005 will commence with Royal Assent. The substantive items contained in Schedule 1 will commence immediately after the commencement of sections 3 to 6 of the *Import Processing Charges Act 2001*.

Purpose

The Import Processing Charges Amendment Bill 2005 (the Bill) will amend the *Import Processing Charges Act 2001* to increase the import declaration and the warehouse declaration processing charges.

Background

This Bill is one of a package of two Bills to restructure import processing charges that are paid by people importing goods into Australia. The Bill will increase the amount of the import declaration and the warehouse declaration processing charges. The other Bill, the Customs Legislation Amendment (Import Processing Charges) Bill 2005, repeals the self-assessed clearance declaration and the screening charge. It is discussed in a separate Bills Digest.¹

Import processing charges

An import processing charge has been levied since 1997.² Its purpose is to recover all charges relating to the commercial Customs activities required to process imports. The services covered by the import processing charge are cargo reporting and import entry processing. The charges are levied on the range of activities involved in the processing of import transactions. The charges do not apply to the processing of export transactions, nor to the activity associated with Customs community protection functions relating to border protection and the detection and interception of prohibited imports and drugs.

Restructuring the import processing charges

The import processing charge was restructured by the *Import Processing Charges Act 2001* ('IPC Act') which was introduced as part of the package of international trade modernisation legislation.³ The IPC Act provided for a differential charge to be levied on

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importers of high-volume low-value cargo, such as bulk consignments of documents and consolidated mail orders that are transported to Australia by specialist operators such as express couriers.⁴

Instead, the proposed restructure of the cost recovery charges will make a distinction between imports arriving by air or post, and imports arriving by sea. This new structure will be the same as the original charging structure currently operating under the *Import Processing Charges Act 1997*.

The current Bill

The Bill will increase import processing charges for goods arriving by air, sea and post. It will amalgamate the current charges for low-value items (which are being repealed by the Customs Legislation Amendment (Import Processing Charges) Bill 2005), into the import and warehouse declaration processing charges. According to the Explanatory Memorandum, the Government estimates that the new charges will collect an additional \$12.4 million in 2005–06.⁵

The increased charges take account of additional costs that have been incurred by Customs. These relate primarily to quarantine processing for foot and mouth disease (the IQI initiative),⁶ and container examination logistics.⁷ The increases also take into account the increasing costs of the Cargo Management Re-engineering (CMR) project. According to information provided to a Senate Estimates Committee on 24 May 2005, the capital side of CMR (an amount of about \$170 million depreciated over a ten-year period) will be taken into account in the new import processing charges.⁸ Only about fifty per cent of the depreciation is attributed to import processing because the balance of the system is used for other functions like export processing, intelligence and border protection activities, which are not part of the cost recovery regime.⁹

Main Provisions

Schedule 1 amends the *Import Processing Charges Act 2001* to increase import processing charges. It does this by increasing the charges for import declarations and for warehouse declarations. **Item 1** deals with import declarations and provides that the minimum charges for electronically lodged declarations are to be \$49.50 for sea imports (currently \$44) (**proposed subparagraph 5(3)(e)**) and \$30.10 for air and post imports (currently \$27.10) (**proposed subparagraphs 5(3)(a)** and **5(3)(c)**). These amounts may not exceed \$74 in the case of sea imports, and \$45 in the case of imports by air or post. The minimum charge for manually lodged declarations are to be \$65.75 for sea imports (**proposed subparagraph 5(3)(f)**) and \$48.85 for air and post imports (**proposed subparagraphs 5(3)(b)** and **5(3)(d)**). These amounts may not exceed \$98.60 for sea imports and \$73.30 for air and post imports.

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Item 2 substitutes new charges for warehouse declarations. These are the same amounts as the import declarations, namely for declarations lodged electronically, \$49.50 for sea imports and \$30.10 for air and post imports. For declarations lodged manually, the base charges are \$65.75 for sea imports and \$48.85 for air and post imports.

Commencement of these increased charges is to occur immediately after the commencement of section 3 to 6 of the *Import Processing Charges Act 2001*. Sections 3 to 6 of the IPA Act are to commence on the day fixed by Proclamation under subsection 2(3) of the *Customs Legislation Amendment and Repeal (International Trade Modernisation) Act 2001*.

Endnotes

- 1 R. Bell and T. John, 'Customs Legislation Amendment (Import Processing Charges) Bill 2005', *Bills Digest*, No. 172, 2004–05, Parliamentary Library, Canberra.
- 2 *Australian Customs Notice* 1996/44, 10 September 1996. This measure was first announced in the August 1996 Budget. The *Import Processing Charges Act 1997*, *Customs Amendment Act (No. 1) 1997* and *Customs Depot Licensing Charges Act 1997* provide the legislative framework for the Customs Cost Recovery System.
- 3 *Customs Legislation Amendment and Repeal (International Trade Modernisation) Act 2001*.
- 4 The Customs Legislation Amendment (Import Processing Charges) Bill 2005 will repeal that part of the IPC Act (which is not due to come into effect until the second half of 2005), so that the import processing charge will no longer relate to the value of the goods coming in. R. Bell and T. John, *op. cit.*
- 5 Explanatory Memorandum, Import Processing Charges Amendment Bill 2005, p. 3.
- 6 Increased Quarantine Intervention (IQI) initiative.
- 7 *Explanatory Memorandum*, *op. cit.*, p. 2.
- 8 Senate Legal and Constitutional Legislation Committee, Estimates Hearings, Australian Customs Service, 24 May 2005, p. 115.
- 9 *ibid.*

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