Excise Duty

Melinda Galliford
Senior Underwriter - Marine

Import Duty and the corresponding duty clause used within a cargo import/export policy is a relatively well known concept.

Lesser understood is the excise duty exposure for specified products that is applicable to transits within Australia.

The following details may assist you in the assessment of your client's needs where there is an exposure to Excise Duty.

Excise Duty is a tax on certain types of goods produced or manufactured in Australia. These excisable goods include:

- **Alcohol** – including beer (excludes home brew), brandy, other spirits, liqueurs and certain other beverages such as ready-to-drink products (but not wine, which is subject to a wine equalisation tax).
- **Petroleum** – including diesel, petrol aviation fuel, heating oil, kerosene, fuel ethanol, biodiesel and crude oil.
- **Tobacco** – including cigarettes, cigars, tobacco and snuff.

In contrast, Customs Duty is an equivalent rate of tax imposed on imported alcohol, tobacco and petroleum to ensure that imported goods are treated consistently with any locally produced goods.

Further characterisation of Excise Duty includes:

- Excise duty rates for alcohol and tobacco may be increased in February and August each year in line with the consumer price index (CPI).
- Excise duty is generally paid by the manufacturer or distributor of the goods rather than the retailer.
- Licence is required to undertake certain activities in relation to excisable goods. This includes significant obligations for the control and documentation of the goods.
- Permission of the Australian Tax Office (ATO) is required to move excisable goods, before delivery for home consumption or export.
- Remission (a waiver of an excise liability) is possible in certain circumstances – generally where goods have been, or will be, destroyed or are no longer fit for human consumption. Remissions do not generally apply to petroleum.

In assessing any exposure to or trade in excisable goods, review your client's need for any inland transit policy to include an excise duty clause. An excise duty clause will help clarify any requirements relating to remission, abatement or refund of the duty.

Where an excise duty exposure is present, ensure you declare the value of the excise duty, as well as the value of sendings as set-out in the policy basis of valuation.

A short cut to remembering if further exposure assessment might be required can be triggered by:

- Production and/or Inland Transit of:
  - Alcohol, Petroleum or Tobacco equates to potential excise duty exposure

How can I find out more?

Contact your local NTI Marine Specialist and State Development Specialist, or visit **www.nti.com.au**