



Australian Government
**Department of Immigration
and Border Protection**

Duty-Free Shop Operators' Guide

July 2017

This Duty-free Shop Operator's Guide has been produced to assist operators of Duty-free Shops Licensed as Warehouses under Section 79 of the *Customs Act, 1901* (the Act) to comply with the requirements of the Department of Immigration and Border Protection (the Department).


This guide is correct and accurate as of the date of publication. Duty-free shop operators should check the Department's website for any updates at www.border.gov.au.

If you have any questions, or suggestions or requests for revisions of this document, please contact the Department's National Licensing by email at licensing@border.gov.au.

Table of Contents

1. Introduction	5
2. Duty-Free Shop Permissions	6
2.1 Application for a Duty-Free Shop Permission.....	6
2.2 Grant of a Duty Free Permission	6
3. Relevant Travellers	7
3.1 What is a Relevant Traveller?.....	7
3.2 Responsibility to Inform Relevant Travellers	7
3.3 Responsibility of Relevant Travellers	7
3.3.1 Travellers intending to depart Australia.....	7
3.3.2 Cancelled Off-Airport Duty-Free Sales of Non-Export of Goods.....	8
3.3.3 Liquids, Aerosols, Gels, Creams and Pastes (LAGs)	8
4. Duty-Free Shop Responsibilities and Obligations	10
4.1 Information for all types of Duty-Free Shops	10
4.1.1 Activities allowed in Duty-Free Shops	10
4.1.2 Recording Systems	11
4.1.3 Stock takes	12
4.1.4 Compliance Assurance Activities	12
4.2 Inwards Duty-Free Shops	12
4.2.1 General Information/Obligations.....	12
4.2.2 International Passenger Inwards Duty-Free Allowance.....	13
4.2.3 Airline and Sea Crew Duty-Free Allowance	13
4.2.4 Responsibility to Inform Travellers of Concessions.....	14
4.2.5 Goods That May be Sold at an Inwards Duty-free Shop.....	14
4.2.6 Signage at Inwards Duty-Free Shops	15

4.2.7	Pre-Travel Agreements to Purchase of Goods from Inwards Duty-Free Shops	15
4.2.8	Sales to Transit Passengers	16
4.2.9	Travel Documents	17
4.2.10	Inwards Duty-Free Sales Invoices / Dockets.....	17
4.3	On-Airport Outwards Duty Free Shops.....	17
4.3.1	General Information / Obligations.....	17
4.3.2	Travel Documents	18
4.3.3	On-Airport Outwards Duty-Free Sales Invoices/Dockets	18
4.4	On-Airport Inwards/Outwards Duty-Free Shops.....	18
4.5	Off-Airport Outwards Duty-Free Shops.....	19
4.5.1	General Information/Obligations.....	19
4.5.2	Proof of Export.....	19
4.5.3	Travel Documents	21
4.5.4	Sales to Travellers Departing on Cargo Ships and Other Non-Cruise Ships.....	21
4.5.5	Sales to Travellers Departing on Yachts and Small Craft	21
4.5.6	Sales to Coastal Travellers.....	22
4.5.7	Sales to Travellers of 'Journeys to Nowhere'.....	22
4.5.8	Electronic Sales	22
4.5.9	Off-Airport Outwards Duty-Free Sales Invoices	23
4.5.10	Sealed Bag System.....	24
4.5.11	Missed Docket Returns	24
5.	Calculation of Revenue, Offsetting and Remissions	26
5.1	Calculation of Customs Duty, GST and WET	26
5.2	Offsetting Arrangements.....	27
5.3	Remission of Duty.....	30
Attachment 1	Traveller Statements.....	31



Attachment 2	Message to be printed on Sealed Bags.....	33
Attachment 3	Example of Offsetting.....	34
Attachment 4 –	Glossary of Terms.....	35

1. Introduction

Duty-free Shops in Australia are facilitated as Warehouses and licensed under Part V of the Act. They are authorised to make sales and, with permission, to deliver goods to 'relevant travellers'.

A licence allows a Duty-free Shop to store, display and sell goods on which Duty has not been paid to relevant travellers.

Relevant legislation currently also allows such goods to be sold free of Goods and Services Tax (GST) and, where applicable, Wine Equalisation Tax (WET).

There are two types of Duty-free Shops, depending on whether they are selling to departing or arriving travellers.

Outward Duty-free Shops sell to relevant travellers making a journey out of Australia. An 'On-airport' Outward Duty-free Shop is a Warehouse located in the Departures area of an Airport past the security check. 'Off-airport' refers to a Warehouse that is either not located at an airport or is 'land-side' at an airport. Off-airport Duty-free Shops are required to employ the Sealed Bag System, including making a monthly missed docket return.

Inwards Duty-free Shops sell to relevant travellers arriving in Australia from overseas and are located 'air side' at an airport before immigration, security and quarantine. 'Airport Shop Goods' are available for sale to relevant travellers below the limits prescribed. Travellers import these goods free of duty/taxes under a concessional bylaw. These limits are subject to change.

Duty-free Shops are also required to obtain all relevant licenses and permissions from other Government administrators, including State trading laws. As most Duty-free Shops sell excise-equivalent goods (EEG), it is important to note that the Australian Taxation Office (ATO) administers excise licences and permission to sell excisable goods under the *Excise Act 1901*.

This guide should be read in conjunction with the Duty-free Shop's Warehouse Licence, Duty-free Shop Permission, the Act, the *Customs Regulation 2015* (the Regulation) and all Customs-related laws¹.

¹ Customs-related laws, as defined in Section 4B of the Act, includes:

(c) any other Act, or any regulations made under any other Act, in so far as the Act or regulations relate to the importation or exportation of goods, where the importation or exportation is subject to compliance with any condition or restriction or is subject to any tax, duty, levy or charge (however described).

2. Duty-Free Shop Permissions

2.1 Application for a Duty-Free Shop Permission

Sections 39 and 60 of the Regulation require a person to make an application for permission, under subsections 96A(2) and 96B(3) of the Act, in writing, for a single Duty free-Shop and to specify:

- the name of the proprietor of the duty-free shop
- the name of the duty-free shop and
- the physical address of the duty-free shop

The person should lodge the application with National Depot and Warehouse Licensing within the Department. Further information is available on the Department's website www.border.gov.au.

A licence may only be issued to cover a single Duty-free Shop. For a licence to be issued to an inwards/outwards duty-free shop, the shop(s) must be contained within a single contiguous area. Where the inwards and outwards duty-free shops are not contiguous, individual inwards and outwards licences must be issued to each establishment. This also applies to duty-free goods storage facilities. A single licence may not be issued to cover more than one warehouse.

2.2 Grant of a Duty Free Permission

In accordance with section 40 of the Regulation, when deciding whether an outwards Duty-free Shop permission will be issued, the Comptroller-General of Customs (Comptroller-General) will take into account whether the applicant is likely to be able to comply with the conditions set out in sections 49 and 50 of the Regulation. In summary, this includes the following, that:

- the proprietor shall, before the date of departure of the relevant traveller, provide a Collector with information in relation to sale of duty-free goods for export and
- the duty-free goods are to be examined and evidence obtained of the presentation of those goods. This is generally done by an agent of the duty-free shop being situated at a designated export point at the place of departure

In accordance with section 50 of the Regulation, when deciding whether an inwards Duty-free Shop permission will be issued, the Department will take into account whether the applicant has been granted a lease to operate an inwards Duty-free Shop on land within the airport.

The Department is not limited to consideration of only the above few matters in the granting permission and may take into account any matter considered pertinent to the protection of the revenue or to ensure compliance with Customs Acts or any other Commonwealth or State or Territory legislation prescribed by the Regulation.

3. Relevant Travellers

3.1 What is a Relevant Traveller?

Under section 96A of the Act (**outwards** duty free) – *relevant traveller* means a person:

- (a) who intends to make an international flight, whether as a passenger on, or as a pilot or member of the crew of, an aircraft or
- (b) who intends to make an international voyage, whether as a passenger on, or as the master or a member of the crew of, a ship

Under section 96B of the Act (**inwards** duty free) *relevant traveller* means a person who:

- (a) has arrived in Australia on an international flight, whether as a passenger on, or as the pilot or a member of the crew of, an aircraft and
- (b) has not been questioned, for the purposes of the Act, by an officer of Customs in respect of goods carried on that flight

In simple terms, this means that an arriving person is a relevant traveller up until they have cleared through the Entry Control Point. Once a passenger or crew member has passed this point, they are no longer a relevant traveller.

3.2 Responsibility to Inform Relevant Travellers

A Duty-free Shop is responsible for ensuring that relevant travellers are aware of the conditions with which they must comply. At the time of buying duty-free goods at an off-airport Duty-free Shop, a relevant traveller must sign a statement, on an approved form, confirming that they are aware of their obligations concerning the exportation of the goods (refer to 4.5 Off-Airport Outwards Duty-Free Shops and Attachment 1 for further information).

It is the responsibility of an inwards Duty-free Shop to ensure that relevant travellers are aware of their passenger concessions and the consequences of purchasing of goods in excess of this concession (refer to 4.2 Inwards Duty-Free Shops for further information).

3.3 Responsibility of Relevant Travellers

3.3.1 Travellers intending to depart Australia

A relevant traveller cannot use goods purchased duty free at an off-airport Duty-free Shop for any purpose in Australia until past the point of departure.

With the exception of goods subject to Liquids, Aerosols and Gels restrictions (refer to 3.3.3), the only goods for export by a relevant traveller that can qualify for duty-free are those that can be carried on-board the international flight or voyage with the relevant traveller.

After signing a declaration at an off-airport Duty-free Shop, the relevant traveller has a responsibility to take possession of the goods in the sealed bag, keep them safe, take the goods in their sealed bags with them to the port of departure and export the goods.

Where a relevant traveller purchases goods at an on-airport outwards Duty-free Shop the relevant traveller has a responsibility to export the goods.

If the relevant traveller fails to export the goods or tampers with the sealed bag they may be liable for a penalty or prosecution under the Act and the store operator will be liable for the customs duty and taxes because the goods were not exported or they were interfered with prior to export. The payment of the customs duty and taxes is to be included in the lodgement of the store operator's next 'Missed Docket Return' (refer to 4.5.11).

3.3.2 Cancelled Off-Airport Duty-Free Sales of Non-Export of Goods

Regardless of where the relevant traveller purchases the goods, all off-airport duty-free goods require exportation out of Australia. If the relevant traveller does not export the goods on the intended scheduled flight or cruise, they are to notify the operator of the Duty-free Shop and return the goods to the store no later than close of business on the second working day of the store after the scheduled departure time.

The relevant traveller must return all copies of the sales invoice along with the goods to the store to obtain a refund and to enable cancellation of the sale. The returned goods are taken back up into the store records and the goods can then be re-sold to another relevant traveller.

If the relevant traveller fails to return the goods to the Duty-free Shop within the specified period, the legislation deems them not exported, and the Duty-free Shop must include the payment of the customs duty and taxes in their next 'Missed Docket Return' (refer to 4.5.11). The Duty-free Shop is liable for the revenue on goods up until the time the goods are exported.

Important Note: Failure to observe these rules may result in penalties of up to \$85,000 for a natural personal and \$425,000 for a body corporate under section 33 of the Act or prosecution under the Act.

3.3.3 Liquids, Aerosols, Gels, Creams and Pastes (LAGs)

On 31 March 2007, the Australian Government announced enhanced security measures, which limited the amount of LAGs a person could take through an international screening point.

Each container was limited to a capacity of no greater than 100 millilitres and all containers were to fit comfortably in a resealable plastic bag. The bag must be transparent, resealable and no larger than one litre (20cm x 20cm) capacity. Where items exceeded these parameters, the relevant traveller was required to surrender them at the airport security screening point for destruction.

A relevant traveller was compelled to carry restricted LAGs items (for example, bottles of spirits or wines) in their checked baggage/hold luggage. Failure to comply with these arrangements resulted in the traveller having to surrender the items at the security screening point.

For duty free LAGs purchased at an off-airport outwards Duty-free Shop, the traveller removed the sales invoice from the sealed bag before placing the items in their hold

luggage. The traveller then presented the duty free LAGs sales invoice to the authorised collection agent at the point of departure (refer to 4.5.2).

On 30 April 2014, the Australian Government introduced security screening of LAG items at certain international airports (Adelaide, Brisbane, Cairns, Darwin, Gold Coast, Melbourne, Perth and Sydney).

Relevant travellers may be allowed to carry LAG items purchased at an off-airport outwards duty free shop in the aircraft cabin. Relevant travellers are able to submit their LAG items purchased at an off-airport duty free shop, including LAG items in a container that is greater than 100 millilitres, for screening by technology capable of detecting liquid explosives, provided the items are contained in the sealed bag provided at the time of purchase, with the sales invoice attached. Relevant travellers continue to have the option of packing their LAG items purchased at an off-airport Duty-free Shop into their hold luggage, and giving the sales invoice to the authorised collection agent of the off-airport Duty-free Shop, as per existing procedures.

If a LAG item purchased at an off-airport Duty-free Shop is cleared by the screening technology, the relevant traveller can carry the item on an international flight as cabin baggage. If a LAG item cannot be cleared by the technology, the relevant traveller will be asked to surrender it for disposal, and the sales invoice will be given to the authorised collection agent of the off-airport Duty-free Shop.

Off-airport Duty-free Shop operators are still required to place LAG items in sealed bags with accompanying proof of purchase in order for the items to be eligible to undergo security screening and to comply with the legislative requirements for making duty-free sales. To assist with the screening process, LAG and non-LAG items should be packed in separate sealed bags.

Further information is available at the Department of Infrastructure and Regional Development's website www.infrastructure.gov.au

4. Duty-Free Shop Responsibilities and Obligations

4.1 Information for all types of Duty-Free Shops

4.1.1 Activities allowed in Duty-Free Shops

The following Duty-free Shop activities are permissible:

- display of goods (not consumables)
- demonstration of goods (not consumables)
- sales to diplomatic and consular personnel and
- sales to relevant travellers

4.1.1.1 Display and Demonstration of Goods

Duty-free Shops can display goods provided such a display is restricted to the area defined by the warehouse licence. Any damage, deterioration or theft is at the risk of the Duty-free Shop operator.

Duty-free Shops can demonstrate certain goods in the licensed area provided the Department is satisfied that the demonstration will not create an administrative problem. Duty-free Shops can demonstrate non-consumables (for example, electronics) in the licensed area at the request of the relevant traveller. The Duty-free Shop cannot use underbond consumable products (alcohol, tobacco, cosmetics and perfumes) for demonstration or testing purposes. The Duty-free Shop must use duty-paid stock for demonstration of consumables.

The Duty-free Shop operator and employees are the only persons who may demonstrate the goods. The relevant traveller must request the demonstration.

Demonstration of non-consumables is at the commercial risk of the licence holder. Non-consumables taken from underbond stock holdings are at the risk of the Duty-free Shop operator should damage, deterioration or theft of the goods occur. Where goods are taken from stock, the record is to be endorsed accordingly and stock counted in stock takes. At the end of the demonstration period, the goods are not available for remission or destruction.

Quantities available for demonstration are subject to reasonable tests of products available. The decision for the sample range will take into account the size and nature of the individual duty free shop operation, number of different brands of similar like goods stocked and the need for customer demonstration of different models.

No alteration of goods is permissible. A 'try on' facility for underbond clothing apparel, for example, is an allowable demonstration of underbond goods. However, this facility is subject to the condition that no alteration of any item of clothing occur within or away from the Duty-free Shop while the goods remain under customs control (that is, prior to the exportation of those goods from Australia).

4.1.1.2 Sales to Diplomats and Consular Personnel

Duty-free Shops are only allowed to sell underbond goods to Embassies and Consulates providing that they have applied for and been granted a separate permission to deliver goods for home consumption 'without entry' to diplomatic and consular personnel.

Diplomatic or consular representatives may purchase duty free goods with the presentation to the duty free shop of an approved 'Application for Release of Goods from customs control to Diplomatic and Consular Posts and privileged individuals' (Form B615). The Form B615 can be obtained by contacting licensing@border.gov.au. Only a person in the Australian Border Force ACT District Office can approve the Form B615.

Australian Border Force
ACT District Office
5 Constitution Avenue
CANBERRA ACT 2601
Phone: (02) 6275 5041

In order to purchase goods, diplomatic or consular personnel need to have the Form B615 endorsed by the Department, and then present this form to the Duty-free Shop.

The Form B615 should include the following important endorsements:

- Title Page - Date stamp, Australian Border Force, ACT District Office, Canberra
- Part A – Quantity (written in alpha characters) and full description of goods (no amendments)
- Part B – Official stamp of mission or post and
- Part C – Validity date and Australian Border Force, ACT District Office, Canberra port stamp.

The personnel then purchase their entitlement of goods, and the Duty-free Shop retains the Form B615.

It is also necessary to complete a return in the form of a Nature 30 import declaration ex warehouse, in respect of the goods delivered for home consumption to diplomatic or consular representatives. Manual or electronic lodgement of the import declaration should occur on the first working day following the accounting week. The duty free shops can utilise the services of a licensed customs broker to complete the Nature 30 import declaration or they can manually complete the Nature 30 form and forward it to the ACT District Office for input into the Integrated Cargo System (ICS). To do this, the Duty-free Shop forwards the Form B615 to the ACT District Office in Canberra, which processes the Nature 30 import declaration in the ICS and then returns a copy of it to the Duty-free Shop along with the original of Form B615 and the Authority to Deal (ATD) for their records. The Duty-free Shop should keep a copy of the Nature 30 for their records.

4.1.2 Recording Systems

All customs licensed warehouses, including Duty-free Shops, must have a recording system sufficiently detailed to show the interconnection between the receipting of goods into a warehouse, the location of the goods and their subsequent movement and final acquittal.

As a minimum, Duty-free licence holders should:

- have a computerised bond register with the appropriate security features and back-up facilities to record the movement of all underbond goods into and out of the warehouse
- have a perpetual stock control system that is capable of providing a precise tally of all stock in the warehouse at any time
- keep records relating to the purchase, receipt and sale of any underbond goods moving into or out of the warehouse
- keep such records as are required and approved by the Department
- keep records current and ensure they are available to the Department when requested and
- conduct a full stock take of underbond goods at least once per year (refer to 4.1.3)

A Duty-free Shop must retain all documents relating to the Duty-free Shop or movement of goods into or out of the Duty-free Shop for a period of five years.

4.1.3 Stock takes

Duty-free Shop operators must conduct a stock take at least once per financial year. A return for any stock shortages and payment of required revenue must be made and submitted to:

- the Department if the payment is for duty, GST and WET and
- the ATO if payment is for excise

Refer to 5.1 Calculation of Customs Duty, GST and WET and 5.2 Offsetting Arrangements.

4.1.4 Compliance Assurance Activities

Warehoused goods held in a Duty-free Shop are subject to the customs control. The Duty-free Shop must maintain physical and documentary control over such goods.

The Department is responsible for ensuring that these controls are sufficient to protect the revenue. Taking a risk based approach, the Department fulfils this obligation by conducting analysis of returns, monitoring of purchases from suppliers, audits of operator records, reviews of self-assessed liability and other activities such as stock takes.

4.2 Inwards Duty-Free Shops

4.2.1 General Information/Obligations

The Department permits inwards Duty-free Shop to sell goods duty and GST/WET free to relevant travellers arriving in Australia on international flights. Relevant travellers arriving at international airports in Australia will only find inwards Duty-free Shop between disembarkation and the Immigration Entry Control Point.

Domestic travellers who travel between Australian ports on an international aircraft are not relevant travellers and cannot be sold duty free goods.

Legislation does not require duty free goods sold at inwards Duty-free Shop to be in sealed bags.

4.2.2 International Passenger Inwards Duty-Free Allowance

Passengers arriving in Australia on an international journey are permitted AUD\$900 worth of goods (or AUD\$450 for persons under 18) duty free such as gifts, souvenirs, cameras, electronic equipment, leather goods, perfume concentrates, jewellery, watches and sporting equipment. Alcohol and tobacco products are not included in this allowance.

These goods may be:

- obtained overseas
- purchased in Australia duty-free and/or GST free prior to departure
- goods for which a GST refund has been received/approved through the Tourist Refund Scheme or
- purchased from an inwards Duty-free Shop on arrival

Family members may pool their duty free concessions if they are travelling together on the same ship or aircraft.

Important information for tour groups: Tour leaders cannot purchase items on behalf of tour group members. Each traveller must present in person at the Duty-free Shop and make an individual purchase. Bulk 'group sales' are prohibited.

Alcoholic Beverages

The duty free concession for relevant travellers aged 18 years or over is 2.25 litres of alcoholic beverages. All alcoholic beverages in accompanied baggage are included in this category.

Tobacco

The duty free concession is one unopened packet of 25 cigarettes or the equivalent 25 grams or less of cigars or tobacco products as well as one open packet for travellers aged 18 years or over. All tobacco products in accompanied baggage are included in this category.

4.2.3 Airline and Sea Crew Duty-Free Allowance

Airline and sea crew members arriving in Australia on an international journey are permitted AUD\$450 worth of goods duty free, such as gifts, souvenirs, cameras, electronic equipment, leather goods, perfume concentrates, jewellery, watches and sporting equipment. Alcohol and tobacco products are not included in this allowance.

These goods may be:

- obtained overseas;
- purchased in Australia duty free and/or GST free prior to departure;
- goods for which a GST refund has been received/approved through the Tourist Refund Scheme; or
- purchased from an inwards Duty-free Shop on arrival.

Alcoholic Beverages

The duty free concession for airline and sea crew aged 18 years or over is 2.25 litres of alcoholic beverages. All alcoholic beverages in accompanied baggage are included in this category.

Tobacco

The duty free concession is one unopened packet of 25 cigarettes or the equivalent 25 grams of cigars or tobacco products, plus one open packet for airline and sea crew aged 18 years or over. All tobacco products in accompanied baggage are included in this category.

4.2.4 Responsibility to Inform Travellers of Concessions

It is the responsibility of the inwards Duty-free Shop operator to ensure that relevant travellers are aware of their passenger concessions and the consequences of purchasing goods in excess of this concession (refer to 4.2.6 Signage).

If a relevant traveller exceeds Australia's duty free limits and declares the excess goods to the Department, the relevant traveller will be liable for customs duty and/or GST and indirect taxes as appropriate on **all items of that type**, not just the items that exceed those limits.

If a relevant traveller exceeds Australia's duty free limits and does not declare the excess goods to the Department, additional pecuniary penalties may apply.

4.2.5 Goods That May be Sold at an Inwards Duty-free Shop

Inwards Duty-free Shop can sell the following range of products subject to section 6 of the Regulation:

- alcoholic beverages (in sealed containers)
- tobacco products and
- goods that have all of the following characteristics
 - no more than \$900 in value
 - no more than 7 kg in weight and
 - no more than 56 cm in length, 36 cm in height and 23 cm in depth

However, the following products cannot be sold:

- alcoholic beverages that are not in sealed containers
- food and beverages which are capable of immediate consumption, other than commercially produced confectionery in sealed packaging and alcoholic beverages in sealed containers
- fresh or dried fruits
- fresh or dried vegetables
- live plants and
- fresh or dried cut flowers

4.2.6 Signage at Inwards Duty-Free Shops

At the time of each sale of confectionery, Inwards Duty-free Shops should provide the purchases with the information below. The Shops should also openly display the information at their premise for perusal by travellers.

The confectionery you have purchased from this outlet has been approved for entry to Australia by Quarantine and does not need to be declared on your incoming passenger card. However, please remember you must declare any other items of food or anything else, which you can eat, which you have purchased before arriving in Australia.

The store must display signs at all entrances and cash points that states the following:

Attention International In-Bound Transit Passengers or Arriving International Passengers

Passenger Allowances

1. AUD\$900 worth of general goods that includes gifts, souvenirs, cameras, electronic equipment, leather goods, jewellery, watches, sporting goods and perfume concentrate.
2. 2.25 litres of alcoholic beverages for adult travellers 18 years or over.
3. 25 (twenty-five) grams of cigars or tobacco products or 25 (twenty-five) cigarettes plus one open packet for adult travellers 18 years or older.

Children under 18 years of age are only entitled to AUD\$450 of general goods. There are no provisions for alcohol or tobacco sales to minors.

A family on return to Australia can combine their individual allowances. For example a family of 4 (two adults and two children under 18) are entitled to:

AUD\$2700 worth of general goods + 4.5 litres of Alcoholic beverages + 50 cigarettes or 50 grams of unopened cigar or tobacco product + plus one open packet per adult aged over 18 years.

The minimum size of each sign is to be A4 or equivalent.

4.2.7 Pre-Travel Agreements to Purchase of Goods from Inwards Duty-Free Shops

Some on-airport inwards Duty-free Shops offer relevant travellers the facility of entering into an 'agreement to sell' goods to a relevant traveller prior to their departure from Australia, which allows the collection of those goods upon their arrival into Australia prior to the Entry Control Point.

Duty free legislation requires that the sale must take place in the inwards Duty-free Shop. Therefore, up until the time that the relevant traveller takes delivery, the goods are deemed to be the property of the Duty-free Shop and should be accounted for and stored as any other bonded goods. Additionally, the Duty-free Shop must include a condition in their pre-purchase order forms/receipts that states that transfer of ownership or title of the goods will only take place upon delivery of the goods to the relevant traveller in the inwards Duty-free Shop on their arrival in Australia.

These "agreements" may occur via the internet, by telephone, facsimile or in person at an outwards Duty-free Shop, as long as the Duty-free Shop and relevant traveller

conform to the conditions outlined above. The Duty-free Shop must also inform the relevant travellers of concessional limits that apply to the entry of alcohol and tobacco products and any other conditions with which relevant travellers must comply.

Travellers who enter into an agreement to pre-purchase goods from a Duty-free Shop at their intended port of arrival and are not able to access those goods due to exceptional circumstances, still may be able to obtain their purchases at the Australian airport nominated in their order form after they have cleared the Entry Control Point.

The exceptional circumstances that may lead to the traveller not being able to access their goods include the following:

- re-direction of an international flight resulting in the traveller clearing through an Entry Control Point at an alternate airport and
- last minute traveller-initiated itinerary changes resulting in the traveller arriving at an alternate airport

When a traveller requests access to their pre-purchased goods once they have cleared through the Entry Control Point, it is the responsibility of the traveller to arrange for the collection of their goods from the inwards Duty-free Shop. The traveller must also provide evidence to the Department that they would have been eligible to receive the goods had the exceptional circumstances not arisen. If the Department is satisfied that the traveller would have been eligible to receive the duty-free goods, then the Duty-free Shop can release the goods to the traveller.

Limited possibilities for gaining access to pre-arranged duty-free goods may exist in cases where travellers have forgotten to collect their duty-free goods or where they were not able to locate the duty-free pick-up point before clearing the Entry Control Point. It is the traveller's responsibility to inform the Department's officers as soon as practicable. The ABF Duty Manager will assess each instance on its merit before making a decision regarding the release of duty-free goods to the traveller.

In all cases where the Department approves the release of duty-free goods to the traveller after the Entry Control Point, an employee of the Duty-free Shop will be required to release the goods to the traveller.

Refer to section 4.5.8 for further information.

4.2.8 Sales to Transit Passengers

Subject to LAGs restrictions (refer to 3.3.3), on-airport inwards Duty-free Shops may sell goods duty-free to relevant travellers who are in transit and who will be proceeding through an outwards control point at an Australian airport other than the one in which the store is located.

When making sales to transit passengers the Duty-free Shop operator must prepare a sales docket specifying the following particulars:

- arriving flight number
- date and time of arrival
- quantity, type and value of goods and
- an endorsement that the purchaser is a relevant traveller in transit

Any LAGs related duty-free goods a transit passenger brings with them from their country of origin and/or last port, which may or may not have been purchased in a sterile area, must be surrendered at the security screening point.

Additionally, any LAGs related duty-free purchases made in a non-sterile area while transiting in Australia must be surrendered at the security screening point.

4.2.9 Travel Documents

The Regulation states that goods shall not be sold unless the intending relevant traveller first produces a ticket, or other approved travel document, to the inwards Duty-free Shop as evidence of travel.

For this purpose, approved categories of travel documents are detailed below (Table 1).

Table 1 – Inwards Duty-Free Shops Travel Documents

Individual	Document
Service Personnel	Travel or movement orders issued by the relevant service
Crew	Airline or shipping company identification and documentation to prove that they are travelling overseas (for example, official rosters, itinerary or sailing orders)
VIP Flights and Government Agencies	Evidence of travel issued by a government authority (for example, letter of authority issued by Prime Minister's Department to members of the press)
General public	An overseas ticket or boarding pass and valid passport.

4.2.10 Inwards Duty-Free Sales Invoices / Dockets

At the time of sale, the inwards Duty-free Shop is required to prepare a sales invoice specifying:

- the flight or other designation of the proposed international trip
- the date and time of arrival and
- a description of the goods including the sales value of each item

4.3 On-Airport Outwards Duty Free Shops

4.3.1 General Information / Obligations

On-airport outwards Duty-free Shops can sell goods duty and GST/WET free to relevant travellers leaving Australia. These stores are located airside at international airports.

Domestic travellers who travel between Australian ports on an international aircraft are not relevant travellers and cannot be sold duty-free goods.

There is no requirement for duty-free goods sold at on-airport duty free shops to be in sealed bags.

4.3.2 Travel Documents

The Regulations state that goods shall not be sold unless the intending relevant traveller first produces a ticket, or other approved travel document, to the on-airport outwards Duty-free Shop as evidence of intending travel.

For this purpose, approved categories of travel documents are detailed below (Table 2).

Table 2 – On-Airport Outwards Duty Free Shops Travel Documents

Individual	Document
Service Personnel	Travel or movement orders issued by the relevant service
Crew	Airline or shipping company identification and documentation to prove that they are travelling overseas (for example, official rosters, itinerary or sailing orders)
VIP Flights and Government Agencies	Evidence of travel issued by a government authority (for example, letter of authority issued by Prime Minister's Department to members of the press)
General public	An overseas ticket or boarding pass and valid passport.

4.3.3 On-Airport Outwards Duty-Free Sales Invoices/Dockets

At the time of sale, the on-airport outwards Duty-free Shop is required to prepare a sales invoice. The invoice is to be prepared in duplicate, is to be one of a series of sequentially numbered invoices and is to specify:

- the flight or other designation of the proposed international trip
- the date of departure and
- a precise description of the goods including:
 - the total sales value of those items and quantities of items
 - the quantity, in figures, of each item, and
 - the sale value, in figures, of each such item or quantity of items

The sales invoice is to be prepared in such a way as to make it impracticable to add other items to the description.

Upon preparing the relevant sales invoice, one copy is to be with the goods that are to be delivered to the relevant traveller and the other copy retained as part of the on-airport outwards duty free shop's records.

4.4 On-Airport Inwards/Outwards Duty-Free Shops

On-airport inwards/outwards Duty-free Shops can sell goods to relevant travellers both arriving in, and departing from Australia on international flights. The Department permits these types of Duty-free Shops to operate where the layout of the international airport would allow such activities to take place without unduly interrupting passenger flow and the effective operation of border agencies. To be eligible for a single licence, the inwards/outwards Duty-free Shop must be a single shop that is accessible to both departing and arriving international travellers, or, if two segregated shops, they must be contained within a single contiguous area.

4.5 Off-Airport Outwards Duty-Free Shops

4.5.1 General Information/Obligations

Relevant travellers can purchase duty-free goods from off-airport Duty-free Shop no earlier than 60 days before departing Australia. The goods and a copy of the sales invoice are placed in tamper-proof sealed bags and the retailer attaches a copy of the sales invoice to the outside of the bag.

Relevant travellers must sign a declaration indicating their intention to take the goods overseas (refer Attachment 1). They must not tamper with the sealed bag and must present the goods for inspection by authorised collection agents when leaving Australia.

For duty free LAGs, relevant travellers departing from certain international airports (Adelaide, Brisbane, Cairns, Darwin, Gold Coast, Melbourne, Perth and Sydney), **may** be allowed to carry their LAGs in the aircraft cabin. The travellers are able to submit the LAGs for screening, provided the LAGs are contained in the sealed bag provided at the time of purchase, with the sales invoice attached. Alternatively, travellers have the option of packing their LAGs into their hold luggage. Relevant travellers departing from other international airports are required to pack their LAGs into their hold luggage.

Before packing duty free LAGs into hold luggage, relevant travellers must remove the sales invoice from the sealed bag. The traveller must present the LAGs sales invoice to the authorised collection agent.

The collection agents are stationed near the Outward Control Point and check the sealed bag to ensure it contains the goods as stated on the sales invoice (with the exception of those LAGs which are placed in the traveller's hold luggage). The sales invoice is removed from the outside of the bag by the collection agent and later used to acquit the duty free store's records for that sale (refer Attachment 2 for wording that is required to be printed on the bag). It is important to note that these agents are not usually present at cruise ship terminals.

The Act provides for severe penalties if a person interferes with sealed bags or does not export the goods.

Where a Duty-free Shop makes duty-free sales to relevant travellers and crew on non-cruise ships or small craft, the Duty-free Shop must not deliver the goods to the traveller but to the vessel no earlier than 24 hours prior to the departure of the vessel (see below).

4.5.2 Proof of Export

4.5.2.1 Travellers Departing by Air or by Cruise Ships

Off-airport Duty-free Shops are required to ensure that they retrieve sales invoices from the sealed bags near the Outwards Control Point.

A duty-free operator must provide the Department with evidence of arrangements for plucking docketts and maintaining electronic records of the retrieved docketts. Unless suitable arrangements are in place, the Department will not grant the licence and the duty free permission.

The Duty-free Shop must provide proof of export in the following manner:

- an electronic record must be made of the invoice numbers of all retrieved (plucked) invoices/sales docket; and
- the electronic records must be created within 10 working days after the date of departure of the relevant traveller.

4.5.2.2 Travellers Departing by Non-Cruise Ships and Small Craft

In the case of duty-free sales made to relevant travellers departing Australia by cargo ships and other types of non-cruise ships, the copy of a ship's manifest with the purchaser's name and invoice number and sales value must be stamped and signed by a ship's officer.

In the case of yachts or other small vessels where there is no ship's officer, the relevant traveller may sign listing or manifest when the goods are delivered on board.

Duty-free Shop operators may be liable for payment of duty and taxes on goods sold that are not included in invoices or manifest lists signed and stamped by a ship's officer.

At the time of the sale and a minimum of two days prior to the vessels departure, all details are to be forwarded to the Department's regional office by the operator so that the Department may take action to board and inspect the goods on the craft prior to departure. Contact information can be found at www.border.gov.au.

Refer to 4.5.4 and 4.5.5 for further information.

4.5.2.3 Records of Proof of Export

Electronic records of retrieved invoice numbers created later than 10 working days after the date of departure of the relevant traveller do not constitute proof of export of the goods specified in the invoices and duty will be liable on such goods.

Each month, Duty-free Shop operators are required to produce a computer generated listing of the invoice numbers of dockets retrieved during the month, that have a specified date of departure for the month, and for which electronic records were created within 10 days of the date of departure of the relevant traveller. The listing must be prepared within 21 working days after the end of the month in question. This listing is separate to, and should not be confused with, the return of missed dockets.

4.5.2.4 The Docket Retrieval System

The relevant traveller presents the sealed bag to Duty Free Security Company (DFSC) staff or authorised agent near the Outwards Control Point. DFSC staff or authorised agent remove the invoice from the outside of the bag and compare the invoice details to the physical goods, with the exception of LAGs in hold luggage.

For duty-free LAGs goods packed in the traveller's hold luggage, the relevant traveller removes the docket from the outside of the sealed bag and presents to DFSC staff or authorised agent.

At monthly intervals DFSC send off-airport Duty-free Shops a computer generated listing of the retrieved dockets to match against the store copies of invoices raised. Customs duty and GST/WET is liable on goods for which sales invoices cannot be 'matched' with

the details and invoice numbers in the computer generated listing. For further information, please refer to 4.5.11 Missed Docket Returns.

4.5.3 Travel Documents

The Regulation states that goods shall not be sold unless the intending relevant traveller first produces a ticket, or other approved travel document, to the off-airport Duty-free Shop as evidence of intending travel.

For this purpose, approved categories of travel documents are detailed below (Table 3).

Table 3 – Off-Airport Outwards Duty Free Shops Travel Documents

Individual	Document
Service Personnel	Travel or movement orders issued by the relevant service
Crew	Airline or shipping company identification and documentation to prove that they are travelling overseas (for example, official rosters, itinerary or sailing orders)
VIP Flights and Government Agencies	Evidence of travel issued by a government authority (for example, letter of authority issued by Prime Minister's Department to members of the press)
General public	An overseas ticket or boarding pass and valid passport.
Organised groups	Where passengers are travelling as part of a tour and tickets are arranged and held by the tour organiser, a list of tour members including full names, nationality and passport numbers. This document is to be on the tour organiser's letterhead and signed by the organiser.

4.5.4 Sales to Travellers Departing on Cargo Ships and Other Non-Cruise Ships

Duty-free Shops can make sales to relevant travellers and crew departing on ships other than cruise ships. Relevant travellers are required to produce approved documentation in support of their travel abroad. Sales to relevant travellers on cargo and other non-cruise ships must be invoiced and packaged in the same manner as sales to air and cruise ship relevant travellers.

Duty-free Shops must not deliver goods to the relevant traveller at the time of sale. Instead, off-airport duty free store operators are required to deliver the purchases to the vessel, no earlier than 24 hours before the departure of the vessel.

Refer to 4.5.2 for the requirements of proof of export.

4.5.5 Sales to Travellers Departing on Yachts and Small Craft

Duty-free Shops can make sales to relevant travellers that are the crew of yachts and small craft after sighting proof the customer is to depart Australia on board the particular vessel. Duty-free Shops should make contact with the Department's regional office to determine if the vessel is in port and has notified the Department of arrival and a departure date.

The information required is the relevant traveller's name, passport number, name of craft, registration number and call sign.

The goods sold must be invoiced and packaged in transparent bags as is required for sales to cargo and other non-cruise ships.

Similarly, the goods must not be handed to the customer but delivered by the duty free shop operator to the craft not more than 24 hours prior to departure. The goods are to be listed on a manifest and signed by the person in charge of the vessel. A copy of the signed manifest is to be retained with the store copy of the invoice as proof of export.

At the time of the sale, all details are to be forwarded to the Department's regional office by the operator so that the Department may take action to board and inspect the goods on the craft prior to departure.

Refer to 4.5.2 for the requirements of proof of export.

4.5.6 Sales to Coastal Travellers

Coastal (domestic) travellers are travellers who travel between Australian ports on an international cruise ship while it is still engaged on its international voyage.

Legislation only permits sales to relevant travellers undertaking international journeys and therefore coastal travellers are **not** entitled to duty free benefits or concessions.

4.5.7 Sales to Travellers of 'Journeys to Nowhere'

'Journeys to nowhere' are flights or voyages that depart from an Australian port and return to Australia without making landfall at an overseas port. Examples are flights to Antarctica (unless the relevant traveller is disembarking at the nominated destination), joy flights, fundraisers and dinner flights, and cruises that do not leave Australian waters or do not dock at an overseas port.

Passengers on 'journeys to nowhere' **do not** qualify for duty-free purchases or duty-free concessions.

4.5.8 Electronic Sales

An 'agreement to sell' duty-free goods may be made to relevant travellers via the internet, facsimile, telephone or other technology. When stores advertise or offer duty-free sales through use of the internet, facsimile, telephone or other technology, the advertisements should clearly stipulate that such offers are in fact 'agreements to sell'. The 'agreement to sell' must clearly stipulate that, where relevant travellers accept such offers through the placement of orders, the sale and transfer of title in the goods will only occur when the goods are delivered to the relevant traveller in the Duty-free Shop. This is necessary to ensure that such sales comply with the requirements of the Act that **sales must take place in the Duty-free Shop**.

The Regulation requires that Duty-free Shop operators must not enter into an 'agreement to sell' unless it meets the following criteria:

- The purchaser must be a relevant traveller at the time the sale will take place
- The purchaser must provide the Duty-free Shop operator with the details required to complete the duty-free sales invoice, a copy of which is attached to the goods. Details to be included on the invoice include flight or voyage details, date of departure, port of departure (for outwards duty free shops sales), flight number,

name of ship or voyage number and ticket number or other authorised travel document details. The details may be provided by telephone, in writing by email, facsimile or other technology.

- For inwards Duty-free Shop sales, the sale must take place **in the shop** on arrival in Australia and before the entry control point. As discussed above, this is to be achieved through conditioning the 'agreement to sell' to reflect that the sale will be effected when the physical transfer of goods takes place **in the shop**.

When pre-sales occur using the internet, facsimile or telephone, the Regulation requires that the Duty-free Shop operator must not hand over the goods to the relevant traveller until the relevant traveller shows the operator his or her ticket or other travel documentation that confirms the details the relevant traveller previously provided. The Duty-free Shop operator must also ensure the relevant traveller signs the Traveller Declaration (see Attachment 1) which states the relevant traveller's obligations concerning export of the goods purchased duty-free.

Inwards and outwards duty free shops may enter into an 'agreement to sell' goods through the internet, facsimile, telephone, email or other technology. When operators of inwards duty free shops enter into an agreement using these mediums, they are required to inform relevant travellers of concessional limits that apply to the entry of alcohol and tobacco products and any other conditions with which relevant travellers must comply.

4.5.9 Off-Airport Outwards Duty-Free Sales Invoices

At the time of sale, the off-airport Duty-free Shop is required to prepare a sales invoice. The invoice is to be prepared in triplicate, is to be one of a series of sequentially numbered invoices and is to specify:

- the name and residential address of the relevant traveller
- the flight or voyage number or other designation of the proposed international trip
- the date of departure
- the airport of departure
- precise description of the goods including the quantity in words and figures of each item of the goods, and the total number, in words, of items on the invoice and serial numbers if applicable
- the sale value, in figures, of each item or quantity of items
- the total sales values of those items and quantities of items and
- passport number or crew identification

The sales invoice is to be prepared in such a way as to make it impracticable to add other items to the description. There should be no blank lines left between items on the invoice and the invoice should be ruled through immediately under the last item.

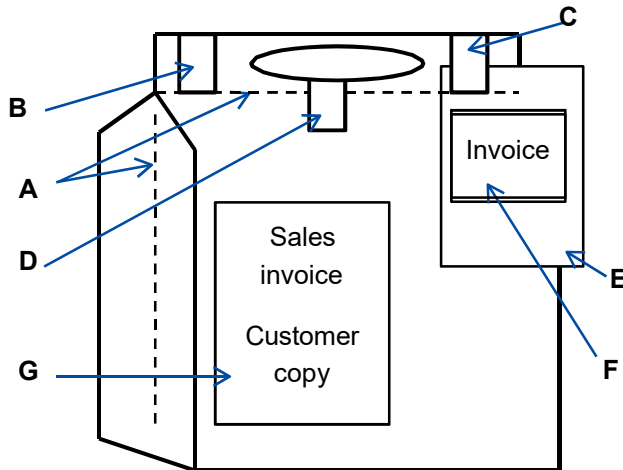
Goods sold in an off-airport Duty-free Shop are to be packed in tamper proof sealed packages (refer to 4.5.10). Upon preparing the relevant sales invoice, one copy is to be placed with the goods inside the export pack, another copy is to be securely attached to the outside of the export pack in a waterproof envelope and the third copy is to be retained as part of the off-airport Duty-free Shop record.

The export package is to be transparent enough for easy identification of the goods and the sales invoice placed inside the package in a position that enables reading without opening the package.

4.5.10 Sealed Bag System

The sealed bag system is a method designed for the transfer of underbond goods by a relevant traveller from an off-airport duty free shop to the departing vessel or aircraft in a tamper proof transparent bag. All sealed bags are required to have a message printed on the bag, which advises travellers of their obligations (refer Attachment 2).

- A. Dotted line indicates where staples should be affixed.
- B. Non-removable seal to cover top opening.
- C. Non-removable seal to cover top opening.



D. Non-removable seal to cover bag access at the handle slot.

E. External waterproof plastic envelope stapled to carry bag containing copy of sales invoice.

F. Copy of sales invoice inserted in outer plastic envelope to be retrieved.

G. Customer copy of sales invoice inserted inside the sealed bag so that the details of the invoice are visible (that is, facing outwards and visible through the clear side of the bag).

For sales of any LAGs greater than 100mls, these items are required to be packed in a separate sealed bag and documented on separate sales invoice if sold with a non-LAGs item.

4.5.11 Missed Docket Returns

Not later than 21 working days after the end of each month, the Duty-free Shop is required to lodge a 'Missed Docket' return with the Department's National Depot and Warehouse Licensing Section detailing:

- the name of the Duty-free Shop and
- the invoice numbers prepared for goods that were delivered from the duty free shop, intended to be exported during that month, that were not retrieved from packages delivered from the store to relevant travellers.

This information can be derived from the monthly reports provided by DFSC.

In relation to each invoice shown, the return is to detail the particulars required in that invoice and the amount of customs duty, WET and GST payable in respect of the goods covered by the invoice. Refer to 5.1 for information on calculating duty, GST and WET.

An example illustrating the headings required for monthly returns is shown at Table 4.

Table 4 – Off-Airport Outwards Duty-Free Shops Travel Documents

Docket	Qty	Description	Customs Value	Duty Rate	Duty Payable	T&I	VoTI	GST Payable	Total Payable

The Duty-free Shop is required to pay the Department an amount equal to the aggregate of the amounts specified in the return.

The failure to export duty-free sales means that the goods are deemed to have been entered and delivered into home consumption. There are two forms of liability under the *Goods and Services Tax Act 1999* (GST Act):

1. GST is payable as there is a taxable importation, or
2. GST is also payable as there is a taxable supply.

More specifically, when a duty-free docket is not plucked, the goods are considered entered and delivered into home consumption, if they were originally imported and held underbond by the Duty-free Shop, under section 13-5 of the GST Act. The imported goods specified on the docket are then a taxable importation. GST and (where applicable) WET is also payable on taxable importations.

If the goods on which a docket has not been plucked were originally manufactured in Australia and then supplied underbond to the Duty-free Shop in Australia, GST and WET becomes payable as there has been a taxable supply.

Duty-free Shops should pay the Department any customs duty, GST and WET (where applicable) for the taxable importations and taxable supplies stemming from non-plucked dockets.

NOTE: For excise duty payments and where the invoices detailed in the return relate to goods sold under the GST sealed bag scheme, responsibility for the collection of that GST and excise duty rests with the ATO. Missed docket returns that relate to excise only should be sent by the duty free shop operator to the ATO.

5. Calculation of Revenue, Offsetting and Remissions

5.1 Calculation of Customs Duty, GST and WET

All calculations for payment of customs duty and GST on stock shortages and missed dockets are to be at two decimal places for each litre of spirits (including beer or wine). The final quantity for each generic type may be truncated to one decimal place for calculation of customs duty amounts payable.

NOTE: The duty rates specified in the example below are for illustrative purposes only and may not represent current rates. Duty rates change twice yearly (February and August) to reflect movements in the Consumer Price Index.

Excise Equivalent Goods

The Duty-free Shop operator will need to determine the Value of the Taxable Importation (VoTI) for each imported good in the invoice and then apply the GST rate of 10% to the VoTI.

The VoTI = (Customs Value + duty + T&I + any WET payable)

EXAMPLE: Calculating Duty and GST (imports)²

Product:

1.125 litre of Brandy (40% alcohol per volume)
Customs value = \$40
Transport and insurance for this item = \$1

Duty Rate:

5% and \$64.96 per litre of alcohol (LAL)

Total Duty:

(Customs Value x Duty Rate) + (\$64.96 x LAL)

\$40 x 5% = \$2.00
+ (1.125 x 40%) x \$64.96
= 0.45 LAL x \$64.96
= \$29.23
\$2.00 + \$29.23 = \$31.23

GST Calculation:

(Customs value + transport and insurance + customs duty) x 10% GST

(40 + 1 + 31.23) x 10%
= \$72.23 x 10%
= \$7.22

The duty free operator would need to submit \$31.23 customs duty and \$7.22 GST making a total of \$38.45.

² Please note that the duty rates used in this guide are for example only. You should obtain actual duty rates from the *Customs Tariff Act 1995*.

The duty and GST/WET liability on the taxable importation is accounted for on the missed docket return to the Department, commonly provided by Duty-free Shop operators using a spreadsheet format.

Example: Calculating Customs Duty, GST and WET (imports)

Product

One 750ml bottle of wine (8% alcohol per volume)
Customs value = \$10
Transport and insurance = \$1.

Duty rate:

5%

Total Duty:

CVAL x Duty
5% x \$10 = \$0.50

WET:

(Customs value + Transport and insurance + customs duty) x 29%
= (10 + 1 + 0.50) x 29%
= \$3.33

GST:

(Customs value + Transport and insurance + customs duty + WET)
x 10%
(10 + 1 + 0.50 + 3.33) x 10%
= \$1.48

In this example, the duty free operator would need to submit \$0.50 customs duty and \$3.33 WET and \$1.48 GST making a total of \$5.31.

5.2 Offsetting Arrangements

Applications for approval to conduct offsetting because of underbond stock shortages and surpluses found after stock takes fall within the policy guidelines for Section 79 Warehouses.

Offsetting allows the adjustment of shortages against surpluses of stock arising from legitimate accounting errors (for example, miss-picks or miscoding). The Department's policy does not allow for a "bulk" offsetting procedure, which amounts to offsetting all losses whether legitimate or not (for example, theft or unexplained losses).

Policy: Offsetting Stock Shortages Against Stock Surpluses

The basics:

- each offsetting circumstance is to be assessed by the Department on its merits and be subject to approval being granted by the Department
- offsetting arrangements can only be applied on an individual premises basis
- offsetting of national operations, for example, offsetting of a stock surplus evident in one premises against a stock shortage evident in another separate premises, is not permitted and

- offsetting should not be used to overcome deficiencies in a licensee's record keeping, operating system or performance (for example, where a DIBP audit or other compliance activity has indicated that a licensee's systems and procedures or performance are unsatisfactory, offsetting should not be applied to overcome any deficiencies evident in the licensee's systems)

Offsetting is not to be applied in terms of packages but must be applied to the products concerned on a \$ (dollar) duty basis. Where the duty liability on book stock exceeds the duty liability of the actual stock concerned, the difference in duty is to be paid to the Department. The book stock is to be adjusted to the actual physical stock.

Where the actual stock is in surplus to the book stock, the surplus stock is to be taken back into underbond storage and the book stock adjusted to the actual increased physical stock.

NOTE: Excise duty cannot be offset against customs duty or GST/WET.

Offsetting Goods

Imported Spirits

Spirits may be offset against other like imported spirits as long as the eight figure tariff classification is the same regardless of any variation in the strength of the spirit or size of package, for example, 1 litre whisky against 1.125 litre whisky bottles.

Imported Tobacco

Tobacco products may be offset against other like imported tobacco products within the same eight figure tariff classification.

Imported Beer

Beer may be offset against other like imported beer within the same eight figure tariff classification, for example, 1 carton of 24 x 375 ml cans can be offset against 1 carton of 24 x 330 ml bottles.

Perfume

Perfumes may be offset against other like imported perfumery products within the same eight figure tariff classification, for example, 1 x 50 ml against 3 x 100 ml bottles of perfume.

In order to offset, all goods must fall within the same eight figure tariff classification. For example, leather wallets can be offset against leather key containers because they both fall within Customs Tariff Item 4202.31.10. However, leather wallets could not be offset against leather pencil cases because the cases fall within Customs Tariff Item 4202.91.10.

Rules for offsetting

Customs duty and excise duty may not be offset against each other. Offsetting between different "like goods" groups is not allowed. For example, spirits cannot be offset against tobacco. Duty cannot be offset against GST, or vice versa.

Duty and GST are to be calculated within each "like goods" group. Separate calculations of duty and GST are required. Where the duty or GST on surplus goods exceeds the duty/GST on shortages within a "like goods" group, the amount payable is Nil. Surplus stocks are returned to bond and the bond records adjusted to reflect actual stock. Where the duty/GST on shortages exceeds surpluses, the differences (being the separate amounts of duty and GST) are payable. Surplus stocks are returned to bond and the bond records adjusted to reflect actual stock. Attachment 3 provides examples of offsetting.

Granting Of Approval To Permit Offsetting

Offsetting of stock shortages against stock surpluses may occur only where an application has been received from the licensee of a licensed warehouse. An application for offset should state the reasons for the discrepancies and be accompanied by a stock variation report.

Continuing approvals to permit the offsetting of stock shortages against stock surpluses will not be granted. All applications for offsetting must contain reasoning why the application should be granted.

Offset Period

Offsetting of stock shortages against stock surpluses is normally to be applied quarterly. If requested, the Department may approve a shorter or different offset period where it can be demonstrated that a shorter or other period would work better with a company's accounting system or work practices.

Licensees wishing to participate in offsetting arrangements are required to conduct stock takes at the end of each offset period. Stock take returns, together with an application to offset, are to be lodged with the relevant regional compliance officer within 30 days of the end of each offset period.

There is no objection to licensees conducting more frequent stock takes if they so desire. However, any stock shortages or stock surpluses are to be carried forward to the end of each offset period so that offsetting can be applied.

Stock shortages and stock surpluses cannot be carried forward to the next offset period and must be dealt with within the relevant offset period.

Exclusions from Offsetting

Offsetting arrangements do not apply to:

- general or public bond operations except on those goods delivered under a weekly settlement/deferred payment permission granted under section 69 of the Act
- Warehouses dealing in single unit commodities such as motor vehicles or electrical goods
- specialty Duty-free Shops dealing in specific commodities, for example specialty jewellery stores and
- petroleum products

5.3 Remission of Duty

Remission of duty is applicable to underbond stock deemed unsaleable for reasons such as, for example, breakages, past the use by date or damaged.

An application for remission of duty must be lodged for the underbond goods on which a remission is sought. To determine the bona fides of the claim, a Department officer will risk assess the application and may inspect the goods in question.

If the application is approved, the goods may then be destroyed under Department supervision and the licensee is released from the duty liability that applied to the goods. There is no GST liability as no taxing event has occurred.

A copy of the Application for Remission form (B730) is available on the Department's website www.border.gov.au.

The ATO administers excise remission. Please contact the ATO for more information.

Attachment 1 Traveller Statements

All Relevant Travellers

I will take these goods with me when I depart from Australia on a journey to a foreign country.

If I do not take the goods out of Australia on the flight/voyage, specified above, I will notify the operator of the store where the goods were purchased by noon the next working day that the goods were not exported, and:

- If the goods are to be exported on a subsequent flight/voyage within 48 hours of the flight/voyage specified above, I will notify the operator of that intention and the new flight/voyage details however,
- If not so exported within 48 hours, I will return the sealed bag containing the unused goods to the store.

I am aware that if I bring the goods back with me on my return to Australia I will declare the goods to the Department of Immigration and Border Protection (DIBP) if the total value of the declarable goods in my possession exceeds the passenger concessional limits.

If the goods are packed in a sealed bag for carriage as cabin luggage on an aircraft or cruise vessel:

- I will carry them in full view at the airport or wharf departure area and not pack them in my luggage
- I will not remove or alter any invoice attached to the outside of the sealed bag, or other sealed package
- I will surrender the sealed bag for examination and for invoice detachment to an authorised collection officer after passing through customs
- I will not interfere with or break the seals of the bag or other package until the invoices attached to the outside have been detached by authorised collection officers (or airline or shipping personnel) and
- I will not give a sealed bag or other sealed package to any other person to carry onto the aircraft or cruise vessel for me

If the goods are packed in a sealed bag and are delivered by the Duty-free Shop to a non-cruise vessel (including cargo ship), yacht and small craft:

- I will not remove or alter any invoice attached to the outside of the sealed bag, or other sealed package or break the seals of the bag or other package until departure from Australia
- I am aware that the *Taxation Administration Act 1953* may provide for penalties of up to \$9,000 and/or imprisonment for up to 12 months where a person makes a false or misleading statement in this declaration, and that the *Customs Act 1901* and the *Excise Act 1901* provide for severe penalties if sealed bags are interfered with or not exported and
- I declare that the information given by me in this form is true and correct and I will undertake to comply with the conditions in the declaration.



WARNING

You must ensure that all information in this statement is correct. The *Taxation Administration Act 1953*, the *Customs Act 1901* and the *Excise Act 1901* provide for severe penalties for persons who make statements to officers, which are false or misleading in a material way.

Signature of Relevant Traveller:

Date:

Attachment 2 Message to be printed on Sealed Bags

WARNING

Customs duty and GST has not been paid on the goods contained in this bag.

You must observe the following rules:

- You must take this sealed bag with you when you leave Australia. It must not be left at home or given to any other person.
- You must carry this bag by hand in full view at the airport. The bag must not be packed in a suitcase or in hand luggage.
- You must ensure that the invoice attached to the bag is collected by an authorised collection officer after you have passed through customs at the airport.
- This bag must not be tampered with or opened. It must remain sealed until the invoice has been collected.
- If you do not export the goods on the intended scheduled flight or cruise you must notify the operator of the duty-free store and return the goods to the store no later than close of business on the second working day of the store after the scheduled departure time.

NOTE: Failure to observe these rules may result in penalties of up to \$85,000 under section 33 of the *Customs Act 1901* and/or \$9,000 and/or 12 months imprisonment under the *Taxation Administration Act 1953*.

Attachment 3 Example of Offsetting

Example of Offsetting

<u>Stock Surplus</u>		<u>Stock Shortage</u>	
Scotch Whisky (15 x 750 ml bottles)		Scotch Whisky (6 x 1.125 litre bottles)	
<i>Origin</i>	UK	<i>Origin</i>	UK
<i>Strength</i>	40%	<i>Strength</i>	40%
<i>Quantity</i>	15x.75lx40% = 4.5LAL*	<i>Quantity</i>	6x1.125lx40% = 2.7LAL
<i>Tariff Item</i>	2208.30.00	<i>Tariff Item</i>	2208.30.00
<i>Rate</i>	5% + \$70.61/LAL	<i>Rate</i>	5% + \$70.61/LAL
<i>Customs value (VFD)*</i>	\$150.00	<i>Customs value (VFD)</i>	\$60.00
<i>Customs Duty</i>	5%x\$150+ \$70.61x4.5 =(\$7.50+ \$317.75) = \$325.25	<i>Customs Duty</i>	5%x\$60+ \$70.61x 2.7 =(\$3.00+\$190.65) =\$193.65

Surplus (\$325.25) minus shortage (\$193.65) = \$131.60 offset

The bond records are then adjusted to reflect the new stock balances

***LAL = Litres of Alcohol = Volume (in litres) x Strength**

***VFD = Value For Duty (Customs Value)**

Attachment 4 – Glossary of Terms

Term	Definition
Bond	Another name for a Warehouse licensed under section 79 of the <i>Customs Act 1901</i> .
Bond Register	A real time register of stock on hand, showing the movement of underbond goods received into, and released from the Warehouse. Must be in an electronic format.
Coastal Travellers	Travellers who travel solely between Australian ports on an international cruise ship while it is still engaged on its international voyage.
Continuing Movement Permission	An approval given by the Department to allow for the frequently occurring movement of underbond goods from suppliers to Warehouses (between licensed Warehouses only).
Commercial Quantities	A term to describe quantities of goods over and above what a relevant traveller would use. (Personal use is determined by type of goods, time to exhaust the stock and general norms).
Cruise Ship	A vessel undertaking scheduled, deep water cruises of two days or more, with a passenger capacity of 100 or more.
Customs Duty	A levy imposed on goods imported into Australia.
Customable	A description of imported goods on which customs duty has not been paid (also known as underbond).
Customs Warehouse	Premises licensed under section 79 of the <i>Customs Act 1901</i> to store underbond imported goods.
Duty-free shop	A permission granted to a warehouse licence approved by the Department which allows underbond goods to be sold to relevant travellers.
Docket Retrieval	A term used for the collection of dockets from relevant travellers as they enter the departure points of airports.
Entry Control Point	The point at which a traveller is deemed to have entered Australia.
Excise Duty	A levy imposed on goods made in Australia (primarily tobacco and alcohol products) administered by the ATO.
Excisable	A term for Australian manufactured goods subject to excise duty that has not yet been paid.
Exportation	<p>Exportation is regarded as having occurred when:</p> <p>(a) Goods situated within the Commonwealth of Australia are placed on board a ship or aircraft for consignment to a place beyond the Commonwealth; and</p> <p>(b) The voyage to that place actually commences.</p> <p>In this context the Commonwealth of Australia includes:</p> <ol style="list-style-type: none"> I. Australia's States and mainland Territories II. Australia's coastal islands III. Australia's offshore islands (Lord Howe and Macquarie Islands) IV. offshore islands that are legally 'Internal Territories' of Australia (Ashmore and Cartier Islands) V. offshore 'installations' deemed part of Australia under the Sea Installations Act. <p>In this context the Commonwealth of Australia does not include Australia's 'External Territories' viz:</p>

Term	Definition
	<p>I. Australian Antarctic Territory</p> <p>II. Christmas Island (Indian Ocean)</p> <p>III. Cocos (Keeling) Islands</p> <p>IV. Coral Sea Islands (including Willis Island)</p> <p>V. Heard Islands</p> <p>VI. McDonald Island</p> <p>VII. Norfolk Island. Arrangements for Docket Plucking is to be directed to Customs Office Lord Howe Island (phone 065632071)</p> <p>In reference to 'External Territories' listed in (2)(b) relevant travellers must disembark at the destination nominated as per travel documents. (See also - JOURNEYS TO NOWHERE)</p>
Licensed Area	That part of the premises that has been approved to store, display and sell goods to travellers. Outlined in red on the Warehouse plan.
Missed Dockets Return	A monthly reconciliation showing the Department which dockets or invoices have not been retrieved from relevant travellers at point of departure from Australia.
Missed Docket Payment	An amount calculated by the Duty-free Shop operator to be the excise and duty liable on underbond goods sold where no proof of export was obtained.
Movement Application - Single Transaction (STP) Permission	An approval given by the Department to allow for the one-off movement of underbond goods from suppliers to Warehouses (between licensed Warehouses only).
Prescribed Warehouse Goods	Underbond Alcohol and Tobacco products.
Relevant Traveller	<p>Means a person:</p> <ul style="list-style-type: none"> • Who intends to make an international flight, whether as a passenger on, or • As a pilot or member of the crew of, an aircraft or • Who intends to make an international voyage, whether as a passenger on, as the master or member of the crew of, a ship <p>OR</p> <p>A person:</p> <ul style="list-style-type: none"> • Who has arrived in Australia on an international flight, whether as a passenger on, or as the pilot or a member of the crew of, an aircraft and • Has not been questioned, for the purposes of this Act, by an authorised officer in respect of goods carried on that flight.
T & I	Transport and Insurance.
Underbond	Goods that are subject to customs control that have not had customs duty, Excise, WET or GST paid on them.
VoTI	Value of the Taxable Importation.
WET	Wine Equalisation Tax.
WRN	Warehouse Release Notice.