



Australian
BORDER FORCE

Goods Compliance Update

December 2018

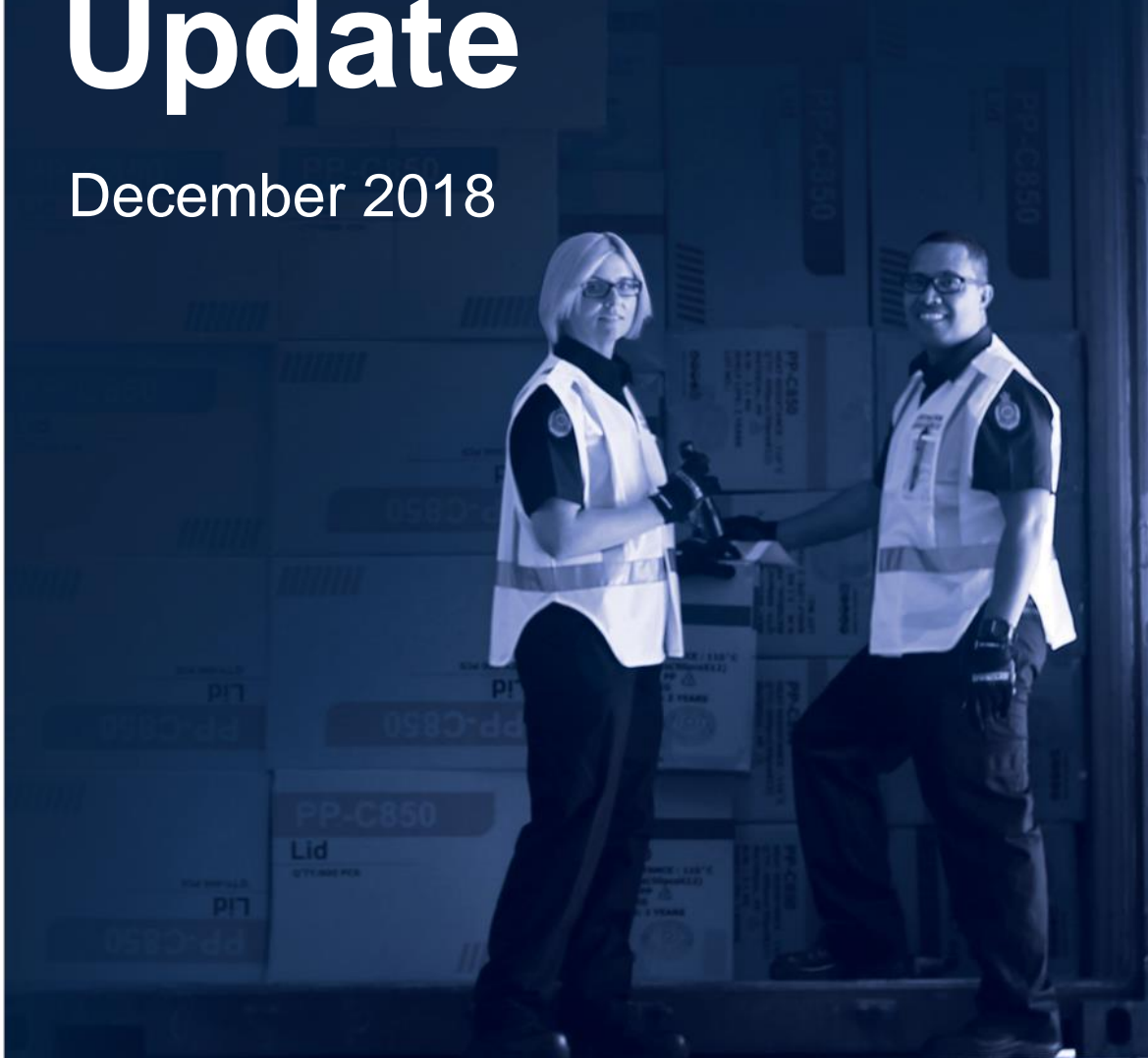


Table of Contents

Message from Commander ABF Governance	3
Headline Issues	4
New ABF website	4
Compliance Advisory Group (CAG)	5
Feature articles	6
2018–19 updates to the Integrated Cargo System	6
Changes to Redline document submission	7
What is changing?	7
When are the changes coming?	7
Compliance audits uncover fraudulent behaviours	8
Disclosure of information held by the ABF	8
Temporary Imports - Thermal Controlled Container Units	9
Recently published Department of Home Affairs Notices (Australian Customs Notices)	10
GST Exemption for Feminine Hygiene Products	11
Compliance program results 1 July 2018 - 30 September 2018	11
Infringement Notice Scheme	12
Revenue understatements	13
Cargo control and accounting	13
Refund scheme	14
Duty Drawback scheme	14
Compliance Monitoring Program	15
Import declarations	15
Export declarations	15
Cargo reporting	16
Anti-dumping and countervailing	17

Message from Commander ABF Governance

Welcome to the December 2018 edition of the Goods Compliance Update (GCU).

As I flagged in the August edition, the GCU will continue as the ABF's mechanism to communicate operational information that advises and assists industry in achieving trade facilitation and border security outcomes.

I also pointed out that the Department of Home Affairs (the Department) will be the lead agency on the majority of industry engagement activities. In this regard, I would like to make particular mention of the Assistant Secretary for Trade Modernisation and Industry Engagement, Ms Christie Sawczuk, and the Assistant Secretary Customs and Border Revenue, Mr Matt Duckworth, and of the teams they have led in progressing the efforts to embed key engagement activities such as the Compliance Advisory Group and the regular discussions with peak industry bodies. I would like to thank them for their support to industry events including delivery at continuing professional development sessions, and for working closely with the ABF in ensuring communications with industry are consistent. I believe we have established sound processes and positive collaboration that should be visible to industry through the quality and timeliness of advice and in the value of meetings, conferences and other support.

ABF officers do participate in the forums led by the Department, and we also have been representing at major events such as association national conference, ensuring that the important themes of compliance operations are presented to industry and that matters can be clarified or raised directly with us. I acknowledge that between the Regional Commands and National Headquarters that there are few officers with whom industry has a "direct line". This is a purposeful step to ensure the integrity of the services we provide and powers we exercise and to emphasise that as a law enforcement agency, the ABF will adopt and maintain values and behaviours that define our professionalism.

Looking to 2019, the ABF will continue to strengthen its capabilities to detect non-compliance and to focus resources on those threats, while further streamlining procedures for those demonstrating strong voluntary compliance behaviours. The ABF has recently updated all its operational policy documents that guide officers on how to perform their duties. I expect that this work will enhance enforcement and facilitation functions to achieve the desired trade and goods compliance outcomes.

Thank you for your understanding as we have transitioned into the Home Affairs Portfolio. I look forward to further opportunities to demonstrate the strengths of the portfolio arrangement and trust that your expectations also will be met.

With best wishes,

Don Smith
Commander
ABF Governance
Australian Border Force

Headline Issues

2018–19 compliance priorities

The ABF Commissioner recently approved three operational priorities for 2018–19:

- trade enforcement
- migration system
- border protection.

Of specific interest to our industry partners in trade and goods, the ABF will be focused on compliance and enforcement within:

- tobacco
- trade compliance (revenue)
- trade measures (preferential arrangements)
- supply chain integrity
- traveller and cargo clearance
- firearms
- asbestos.

We endeavour to incorporate relevant statistics on these issues in the GCU so that industry remains aware of how these priorities and lines of effort are being implemented, and the nature of issues identified through compliance operations.

New ABF website

As part of the portfolio agency arrangements within Home Affairs, the ABF has launched its own website to distinguish information on border operations from the broader issues attended to by the Department of Home Affairs. The website is <https://www.abf.gov.au/>.

The trade and goods industry will find most information they require by selecting 'Importing, exporting and manufacturing' from the drop-down Menu at the top left of the page.

Other features include:

- a direct link to the ICS from the top right of the web page
- chronological listing of Home Affairs / Department of Immigration and Border Protection / Australian Customs and Border Protection / Customs notices
- a direct link to BorderWatch from the standard home page
- a customisable home page that prioritises content to sector requirements.

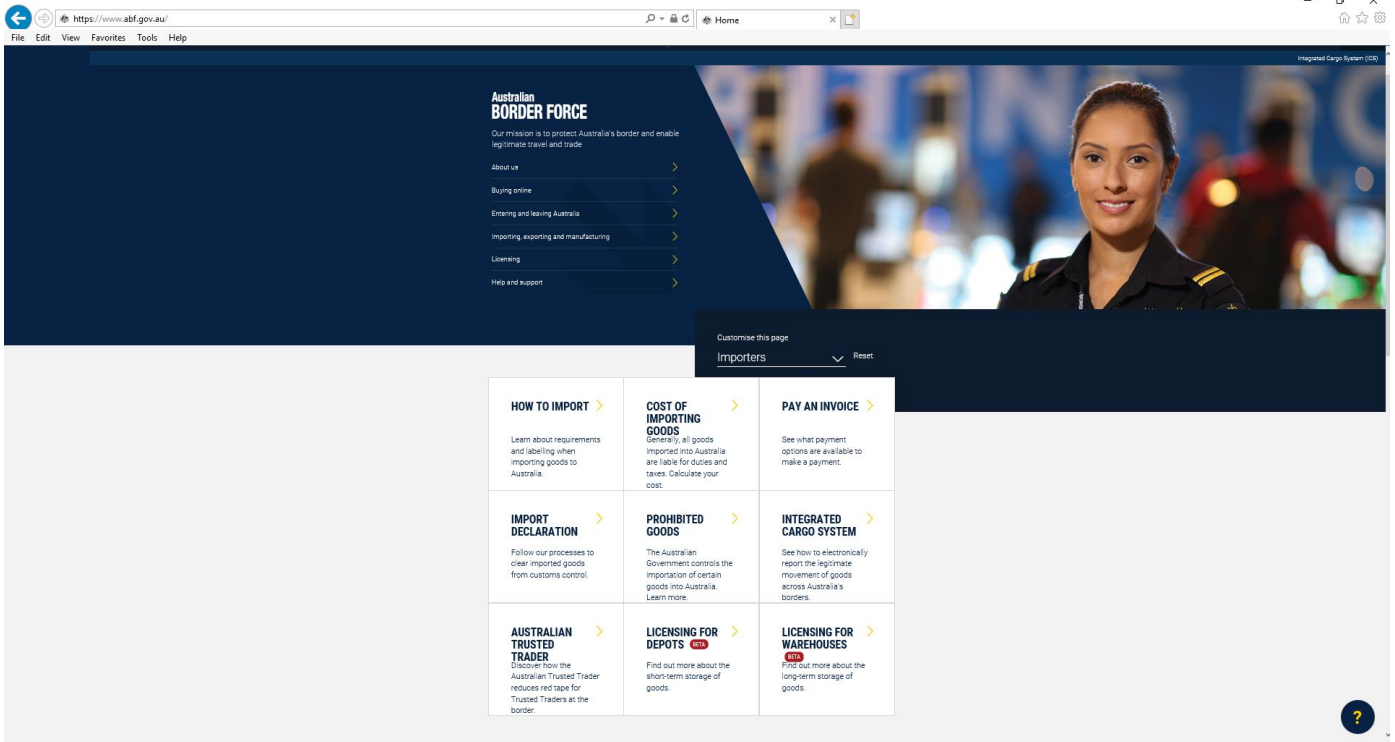


Figure 1. A screen-shot of the new ABF web page, www.abf.gov.au, showing the customised front page for importers.

Compliance Advisory Group (CAG)

The CAG is a collaborative forum for industry, the Department and the ABF to recommend solutions to trade and goods compliance issues. The CAG is chaired by the Assistant Secretary Customs and Border Revenue and is attended by industry representatives from the peak bodies of the Customs Brokers and Forwarders Council of Australia (CBFCA), Freight and Trade Alliance (FTA), and the Australian Federation of International Forwarders (AFIF), and up to ten members from individual industry entities who are not formally represented by a relevant industry body or association.

In early 2019, the CAG secretariat will announce that applications will be open for new individual (non-association) members who are able to serve for a two-year term.

We encourage new applications from individuals who have relevant experience in the broadest set of trade and goods functions to ensure the CAG presents diverse and novel views in fulfilling its advisory role to the Department and the ABF.

Feature articles

2018–19 updates to the Integrated Cargo System

Table 1, below, lays out the planned schedule for updates to the integrated cargo system (ICS). A brief description of each upgrade is provided in each case.

The schedule is reviewed fortnightly and this plan is current as at 13 December 2018.

The abbreviations in the table are:

DEV	Development
SIT	System integrate test
UAT	User acceptance test
IND	Industry testing
PROD	Production

Update	DEV	SIT	UAT	IND	PROD
18.4.03 Phase Two Enhancements to the ICS for Business and Industry				21Jan- 1Feb19	6Feb19
ICS Security Enhancements Phase One Enhancements to improve security in the ICS User Interface			7Jan- 11Feb19	11- 15Feb19	27Feb19
19.4.01 Australian Trusted Trader Release Changes to support identification of Trusted Traders when staff are working in the EXAMs system.		17Dec18- 8Feb19	18Feb – 15Mar19	25Mar – 5Apr19	10Apr19
19.4.02 Tobacco Phase One Changes to the ICS warehousing and permits functionality in support of new Tobacco legislation.	3Dec18 – 15Mar19	21Mar – 24May19	28 – 31May19	3 – 14Jun19	15Jun19

Table 1. Schedule of updates to the Integrated Cargo System up to 30 June 2019

Changes to Redline document submission

During consultation at CBFCA and FTA conferences around the country in 2017, Industry members raised concerns regarding submission of Redline documentation to the ABF.

In response to this feedback, ABF is making changes to the way it communicates the submission request for Redline documentation. This change to the ICS will greatly improve the process for both the ABF and Industry when commercial documents are requested by our various ABF compliance teams.

What is changing?

Currently when commercial documents are required by the ABF an auto-transmitted message is generated in ICS: "SUBJECT TO REDLINE PROCESSING. DOCUMENTS MUST BE SUBMITTED PURSUANT TO S71DA OF THE CUSTOMS ACT".

The scheduled change will include email addresses in the auto message to Industry. The document request message will change to: "SUBJECT TO REDLINE PROCESSING. DOCUMENTS MUST BE SUBMITTED TO <derived value> PURSUANT TO S71DA OF THE CUSTOMS ACT". The derived value will be the **specified Redline email address** for the actioning team. If no Redline email address is set, **<ABF>** will be the default text.

When multiple matches occur a separate request will be sent for each listed email address. For example, if there is a match for both asbestos in building products and the Compliance Monitoring Program, then two email request messages will be sent to request documents. There may be infrequent circumstances where this results in multiple document requests for the same consignment, however if this does occur, the documents can be forwarded in one email to all requested addresses.

If no Redline email address is set and the document request message "SUBJECT TO REDLINE PROCESSING. DOCUMENTS MUST BE SUBMITTED TO **ABF** PURSUANT TO S71DA OF THE CUSTOMS ACT" is received, documents should be forwarded to RedlineNSW@abf.gov.au

When are the changes coming?

ICS change 18.4.03 is scheduled for implementation on 6 February 2019. From this date the document request message will change to specify the email address for the receipt of documents.

Notification of the upcoming change will also be included in the ICS release notes and subscription users will receive reminders closer to the date.

This change has been implemented in response to your concerns and has been prioritised to deliver efficiencies for Industry and the ABF. This system change will reduce Industry waiting time by ensuring documents are sent directly to the assessing teams. Supply of documents to unrelated teams after this February changes may result in delays to cargo assessment. Any questions regarding this change can be forwarded to GoodsCompliance@abf.gov.au.

Compliance audits uncover fraudulent behaviours

The ABF Compliance Audits team is a national team that undertakes targeted compliance activities. This includes complex compliance assessments such as border revenue audits into the compliance of entities with the payment of border revenues and with other regulatory requirements. Compliance Audits responds to breaches of trade rules through a range of treatment options including real-time monitoring, demands for the repayment of border revenues, examinations of consignments and application of administrative penalties such as under the infringement notice scheme (INS).

Earlier this year, the team completed two cases, leading to significant revenue collection and issue of infringement notices.

In the first case, the audit of a Melbourne importer uncovered a complex and systemic process to falsify documents to conceal the nature of goods and avoid payment of duty. The Company received demands for duty and GST totalling \$1,598,130. Additionally, 49 infringement notices were issued, requiring the importer to pay \$353,250 in penalties.

In the second case, two Sydney beverage importers were discovered to be misclassifying and undervaluing imports of plum wines and other fortified beverages.

The first importer received a demand for duty and GST totalling \$721,311 and fines under the INS of \$19,000. The second received a demand for duty \$505,069 and INS fines of almost \$11,000.

Disclosure of information held by the ABF

The ABF holds large volumes of data relating to the movement of goods across the Australian border. This data is restricted information as it provides commercial and other information used for border enforcement purposes.

The ABF primarily uses the ICS to risk assess cargo crossing the Australian border and intervene where necessary to protect the community and the economy. The ICS allows registered users in industry to legitimately track the movement of goods. The ABF also uses other cargo information sources where necessary.

There is a risk that individuals may abuse access to cargo movement information to track illicit goods to determine whether law enforcement authorities are interested in certain containers, and pass that information to criminal groups.

Subsection [233BABA\(3\)](#) of the *Customs Act 1901* makes it an offence to:

- obtain and use restricted information to commit an offence against a law of the Commonwealth, a State or a Territory (Subsection 1).
- obtain restricted information from Customs, and disclose that information to another person without authority to do so under the Customs Act or the Australian Border Force Act 2015.

Updated guidance on what information can be disclosed will be published on the ABF website.

Temporary Imports - Thermal Controlled Container Units

The issue of reporting Thermal Controlled Container Units (TCCUs) through air cargo was raised recently. These containers are used for maintaining stable environmental conditions for temperature sensitive goods (for example pharmaceuticals) during transport through the supply chain.

These units are large or half airline-ULD sized units that are hired directly from 3rd party providers by shippers, to control the temperature and ambiance of product during transit. They are not IATA registered or approved units.

How far the containers progress through the Australian end of the supply chain will affect the level of cargo reporting required.

For TCCUs that are temporarily imported and delivered to an importer premises for unpack, the process for reporting containers outlined in ACCA 2012/11 is still current. This requires a Tariff line within the declaration submitted into the Integrated Cargo System (ICS) using tariff classification 8609.00.00 and quoting treatment code 354.

This identifies the container as a temporary import under s165A of the *Customs Act 1901*.

While ACCA 2012/11 is primarily focussed on reporting of empty containers, the principles are applicable where containers with goods inside are temporarily clearing into home consumption. ACCA 2012/11 can be found at:

<https://www.abf.gov.au/help-and-support-subsite/CargoAdvices/2012-11.pdf>



Figure 2. Example of a thermally controlled container unit (CTTU) commonly used in air cargo transportation of pharmaceutical and other perishable goods.

Recently published Department of Home Affairs Notices (Australian Customs Notices)

All notices are published on the ABF website at <https://www.abf.gov.au/help-and-support/notices/australian-customs-notices>.

Significant notices published in this quarter:

DHAN	Title	Date
2018/23	Item 1 By-law No.1339704 – revocation and replacement	17 July 2018
2018/24	Indexation of customs duty rates on excise-equivalent goods on 1 August 2018	25 July 2018
2018/25	Exposure draft of the Customs Amendment (Collecting Tobacco Duties at the Border) Bill 2018 for public consultation	9 August 2018
2018/26	Cheese and Curd Quota Scheme – allocations for 2018-2019	6 August 2018
2018/27	Amendments to the Customs (Prohibited Exports) Regulations 1958 – Schedule 2 Rotterdam Convention chemicals	1 August 2018
2018/28	Biannual indexation of customs duty rates for tobacco and tobacco products – 1 September 2018	17 August 2018
2018/30	Change to Chinese issuing authority for Certificates of Origin under China-Australia Free Trade Agreement (ChAFTA)	28 August 2018
2018/32	Customs Legislation Amendment (Prohibited Substances) Regulations 2018	26 October 2018
2018/35	Amendments to the <i>Customs Act 1901</i> – Collecting tobacco duties at the border	15 November 2018
2018/37	Comprehensive and Progressive Agreement for Trans-Pacific Partnership – Entry into Force	7 December 2018

GST Exemption for Feminine Hygiene Products

From 1 January 2019 the *A New Tax System (Goods and Services Tax) (GST-free Health Goods) Determination 2018 (Determination)* will apply to goods described as menstrual products.

They include maternity pads, menstrual cups, menstrual pads, menstrual liners, menstrual underwear, tampons and other similar products specifically designed to absorb menstrual-related discharge.

A new GST exemption code, FHP, may be used in the ICS by importers of feminine hygiene products from 1 January 2019.

Compliance program results 1 July 2018 - 30 September 2018



Note: Statistics were accurate at the time of publishing. System parameters may result in variances if published for the same timeframe in the future.

Infringement Notice Scheme

Offence	Description
33(2)	Moving, altering or interfering with goods subject to Customs control without authority
33(6)	Moving, altering or interfering with goods subject to Customs control without authority
36(2)	Failure to keep goods safely or failure to account for goods
36(6)	Failure to keep goods safely or failure to account for goods
64(13)	Failure to meet reporting requirements for the impending arrival of a ship or aircraft
64AB(10)	Failure to meet reporting requirements for the report of cargo
64ABAA(9)	Failure to meet reporting requirements for outturn reports
64ACD(2)	Failure to report on passengers and crew
77R(1)	Breach of conditions of depot licence
113(1)	Failure to enter goods for export and loading/exporting without authority to deal
118(1)	Departing without Certificate of Clearance
233(1)(b)	Prohibited imports
233(1)(c)	Prohibited exports
243T(1)	False or misleading statements resulting in a loss of duty
243U(1)	False or misleading statements not resulting in a loss of duty

Table 2 – Infringement Notice Scheme offence descriptions (*Customs Act 1901*)

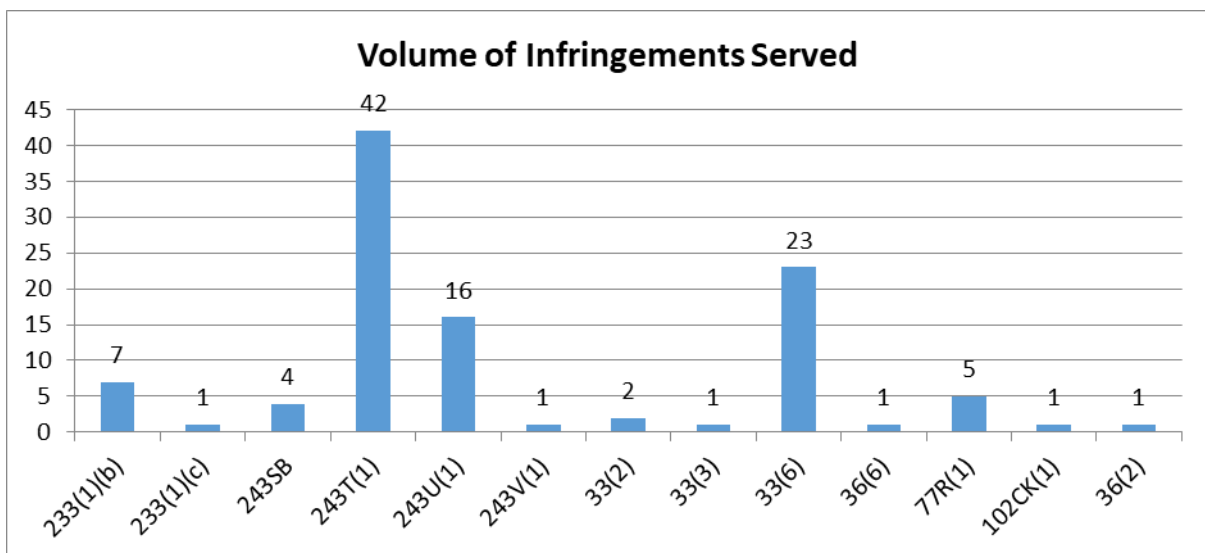


Figure 3 – Number of infringement notices served 1 July 2018 – 30 September 2018

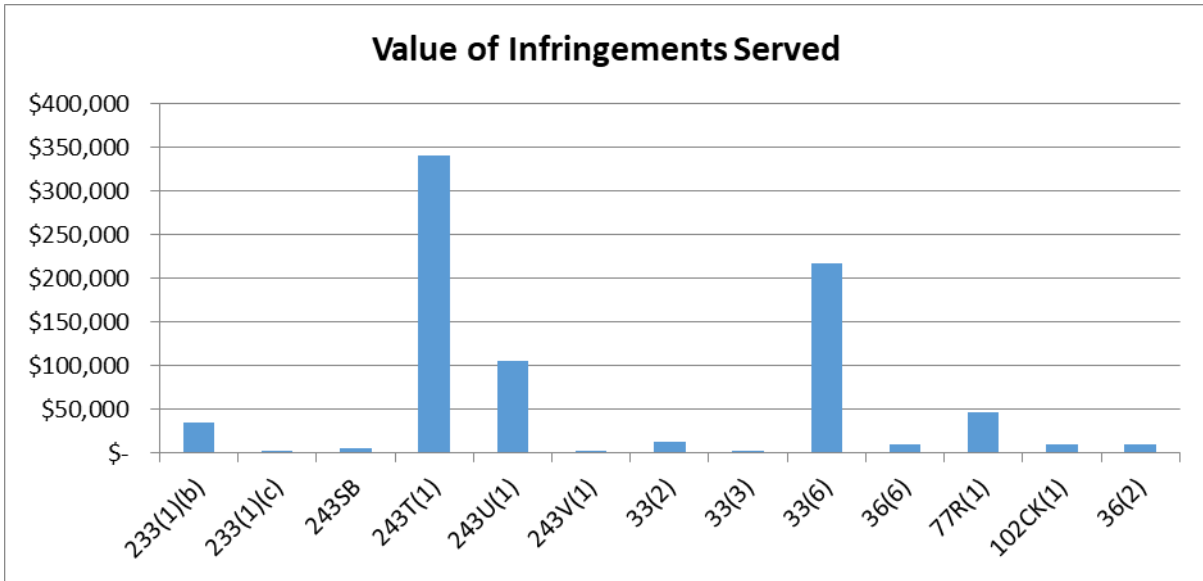


Figure 4 – Value of infringement notices served 1 July – 30 September 2018

Revenue understatements

Description	Amount
Post transaction verification	\$8,761,939.69
Pre-clearance intervention	\$2,493,852.95
General Monitoring Program	\$69,601.35
Voluntary disclosures	\$1,706,597.20
Refunds refused	\$563,224.75

Table 3 – Understated revenue for 1 July – 30 September 2018

Cargo control and accounting

The purpose of cargo control and accounting activity is to monitor the level of compliance of cargo terminal operators, licensed depots and warehouses with their respective legislated and licence conditions.

Description	Financial year to date
Number of lines checked as part of customs cargo control and compliance activities	6,107
Proportion of breaches identified against lines checked	1.02%

Table 4 - Cargo control and accounting activity 1 July – 30 September 2018

Refund scheme

Description	Total
Number of refund applications lodged	27,853
Number of approved refund applications	30,221
Value of approved refunds	\$89,776,348
Value of refunds lodged	\$83,425,774
Number of refunds rejected (non-compliant)	710
Value of refunds rejected (non-compliant)	\$563,225

Table 5 - Administration of the Refund scheme 1 July – 30 September 2018

Duty Drawback scheme

Description	Number	Value (Australian dollars)
Drawbacks lodged	586	\$70,893,908
Drawbacks paid	609	\$56,803,194
Drawbacks rejected	17	\$238,302
Drawbacks withdrawn	3	\$671,158
Drawbacks over claimed	63	\$503,388

Table 6 - Administration of the Duty Drawback scheme 1 July – 30 September 2018

Compliance Monitoring Program

The Compliance Monitoring Program (CMP) monitors the accuracy and quality of import and export declarations and cargo reports to assess overall levels of industry compliance.

Import declarations

Description	Results
Number of lines checked	1,642
Number of lines detected to have error/s	358
Error rate (by number of lines)	21.8%
Number of errors detected	529

Table 7 - CMP import declaration results 1 July – 30 September 2018

Description	Number
Incorrect Delivery Address	81
Val - Valuation Date	73
Tariff Classification	59
Other	41
Val - Invoice Terms	34
Val - Price (Invoice Total)	30
Val - Related Transaction	28
Gross Weight	23
Number of packages	20
Quantity	20

Table 8 - Most common errors on import declaration lines 1 July – 30 September 2018

Export declarations

Description	Results
Number of lines checked	289
Number of lines detected to have error/s	109
Error rate (by number of lines)	37.7%
Number of errors detected	180

Table 9 - CMP export declaration results 1 July – 30 September 2018

Description	Number
FOB Value	62
Gross Weight	26
Net Quantity	15
AHECC - Misclassification	12
AHECC - Multi-Lines	9
Origin	5
Other Export Data Inaccuracy	5
Consignee City	3
FOB Currency	3
Consignee Name	2

Table 10 - Most common errors on export declarations 1 July – 30 September 2018

Cargo reporting

Description	Results
Number of lines checked	1,642
Number of cargo reports detected to have error/s	63
Error rate	3.84%
Number of errors detected	64

Table 11 - CMP cargo report results 1 July – 30 September 2018

Description	Number
Gross Weight	20
Consignee Incorrect	17
Goods Description	9
Consignor Incorrect	8
Declared Value	4
Cargo Report Data Inaccuracy (Other)	3
Currency Code	3
Port of Destination	1

Table 12 - Most common errors on cargo reports 1 July – 30 September 2018

Anti-dumping and countervailing

Description	Results
Total CVAL coverage	\$27,809,080
Number of lines checked	916
Detection rate	26.85%
Duty under	\$4,815,913

Table 13 – Anti-dumping and countervailing post transaction verification activity for 1 July – 30 September 2018