

JR/ DUTY FREE

Submission in response to the Treasury's Excise
Equivalent Goods Administration Consultation Paper

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Who is JR/Duty Free?

The James Richardson Pty. Ltd., trading as JR/Duty Free, is a proud leader within the Australian Duty Free industry. James Richardson was the pioneer of Duty Free retailing in Australia. JR/Duty Free operates in the on-airport duty free environment (Darwin and Cairns Airports) as well as several off-airport or 'downtown' duty free outlets across Australia.

Led by the late David Mandie AM, OBE, James Richardson opened its first Duty Free store at Brisbane Airport in 1972 and over the next 23 years it operated at every major airport (Sydney, Cairns, Brisbane, Perth, and Melbourne) in Australia. In addition it operated up to 25 city stores, trading as City International. James Richardson sold its Australian Duty Free division in 1995 to the Duty Free division of Nuance, a subsidiary of Swissair.

Since 1988, James Richardson has operated the principal Duty Free licence consisting of liquor, tobacco, fragrance, skincare and confectionery at Ben Gurion Airport, Tel Aviv. As a demonstration of its successful performance, it retained the concession for the second time in 2004 to operate for a further 7 years. In 2011 this concession was extended for another 4 years. James Richardson also holds the concession for confectionery, sports, footwear and clothing at Ben Gurion Airport, as well as men's fashion (Boss, Lacoste, Armani). James Richardson also operates Duty Free stores at the border crossings to Jordan and Egypt (recently renewed till 2021), at Ashdod and Haifa ports, on cruise ships and also on passenger airlines.

In December 2005 James Richardson returned to Duty Free retailing in Australia with the opening of 3 Duty Free stores within the CBD at Melbourne, Adelaide and Perth. The store designs are world class, the environment outstanding and results to date are impressive. A further store opened in Brisbane CBD in early 2008. These stores offer a wide range of designer brands and products which are available either duty free or tax free (dependent on the product category) and in many cases these products are available to non-travelling customers just by paying the GST.

In 2006 James Richardson successfully bid for the Duty Free Concession at Darwin International Airport and February 2007 marked the commencement of this operation.

In 2009 JR/Duty Free expanded its operations across the Tasman and into New Zealand. JR/Duty Free was successful in being awarded one of the two licences at Auckland International Airport. The entry to Wellington resulted from the purchase of the Regency Duty Free business and "Discover New Zealand" at both Wellington and Christchurch airports.

JR/Duty Free opened its doors at both Auckland and Wellington International Airports on July 1 2009, and the growth did not stop there. In December 2009 JR/Duty Free tendered and won the concession for Christchurch International Airport and by July 1 2010 JR/Duty had its third major New Zealand airport store operating.

Executive summary and Recommendations

JR/Duty Free proposes a series of recommendations, which will enable a stronger and more efficient Australian duty free industry:

- 1** Transfer responsibility for all revenue collection matters for Excise Equivalent Goods (EEGs) to the ATO, including collections, remissions, drawbacks and refunds pertaining to excise duty, excise equivalent customs duty and, if possible, the ad valorem customs duty (e.g. five per cent for distilled spirits).
- 2** Transfer responsibility for warehouse licensing requirements for EEGs across all business entities (including duty free stores) to the ATO.
- 3** Consolidate the Excise Storage Licence and Customs Warehouse Licence into a single licence which is administered by the ATO.
- 4** Introduce a single entity licence, administered by the ATO, which is sufficient to cover an entire business network with multiple excise storage warehouses and customs warehouses.
- 5** Simplify requirements pertaining to single movement permission applications by:
 - removing the need to include product line numbers and Nature 20 entry details in respect of EEGs; and
 - enabling electronic completion and submission of the relevant documentation, and electronic receipt of notification of authorisation to move the goods.
- 6** Transfer responsibility for remissions of excise equivalent customs duty across all business entities (including duty free stores) from Customs to the ATO.
- 7** Dispense with the requirement to include Nature 20 entry and line number details in respect of remissions for excise equivalent customs duty.
- 8** Consolidate application forms for remission of excise duty and excise equivalent customs duty into a single form.
- 9** Facilitate electronic completion and submission of remission applications, and electronic advice confirming destruction permission.
- 10** Transfer responsibility for processing payments of and contact regarding excise equivalent customs duty liability arising from missed docket collections to the ATO.
- 11** Enable excise duty and excise equivalent customs duty liability arising through missed dockets to be paid in one single EFTPOS transaction.
- 12** Create a single form to be completed in respect of both excise duty and excise equivalent customs duty payments arising due to missed docket collections which may be completed and submitted electronically.

- 13** Transfer responsibility for processing payments of, and contact regarding, ad valorem border customs duty liability arising from missed docket collections to the ATO.
- 14** Enable duty free retailers to have the option to pre-pay ad valorem border customs duties, if they wish to do so.
- 15** Introduce a risk management approach to revenue collections, licensing and reporting requirements for both excisable goods and EEGs. This approach should facilitate the conferral of a 'low-risk' status on businesses with a demonstrated history of compliance, and focus audit efforts on businesses which present the greatest risk to government revenue. For example:
 - a risk management approach should be considered for the treatment of 'missed' invoices for Sealed Bag purchases for non-Australian residents who hold a valid return ticket. The cost of administering the remittance of duty paid for 'missed' invoices is costly, and potentially imposes an unacceptable administrative burden on industry that outweighs the revenue benefits of recovering duties from non-export verified goods; and
 - further analysis is required to quantify the volume of 'misses' by international visitors as a proportion of overall misses. However, JR/Duty Free submits that government should consider the potential for further reform, which will lessen the administrative burden on industry, by introducing an assumption that purchases by non-Australian residents who hold a valid return ticket, which are subject to a 'missed' invoice, are likely to have been exported as a matter of course.
- 16** TRS export verification should be incorporated into the export verification for sealed bag duty free purchases, to be outsourced to a single private provider.
- 17** The existing Sealed Bag scheme should be maintained, which will remain viable under a single consolidated export verification process for both sealed bag duty free purchases and TRS purchases.
- 18** Enact reforms that will enable off-airport collection of pre-purchased duty free goods at off-airport duty free stores. This reform should be included in any suite of reforms to off-airport tourist shopping arrangements in Australia.

1. Simplifying compliance for the Australian duty free industry

1.1 JR/Duty Free's vision for excise duty and excise equivalent customs duty administration

JR/Duty Free is strongly supportive of the single administration initiative and the opportunities it presents to reduce the administrative burden borne by duty free stores. Recent reforms by the Australian Government to the administration for excise equivalent goods (EEGs) were a step in the right direction. However, further reform is required to lessen the administrative and compliance burden that is currently borne by Australia's duty free retail sector. JR/Duty Free welcomes the opportunity to respond to the Consultation Paper, which provides the prospect for meaningful and progressive reform.

It is regrettable that whilst the theoretical basis for the single administration initiative is sound, the practical execution has been of limited effectiveness, and has largely excluded duty free stores from the ambit of the initiative. In this regard, JR/Duty Free notes that although the single administration initiative was designed to facilitate a single contact point for businesses with interests in both excisable goods and EEGs, in application, duty free retailers are still required to deal with representatives from both the Australian Customs and Border Protection Agency (Customs) and the Australian Taxation Office (ATO).

Furthermore, duty free retailers are still required to complete individual and separate Customs-based and ATO-based forms.

Clearly, further reform is urgently required for the duty free industry to realise the intended benefits from the single administration initiative and to reduce the reporting burden placed on individual business. JR/Duty Free contends that a wholly single administration initiative presents the greatest opportunities to reduce the administrative and reporting burden placed on businesses, and commensurate use of government resources.

JR/Duty Free contends that all revenue-related matters should be the sole responsibility of the ATO, while border protection issues should be the responsibility of Customs.

In practice, this would result in:

- The ATO assuming full and sole responsibility for:
 - all revenue collection matters for both excisable goods and EEGs, including collections, remissions, drawbacks and refunds pertaining to excise duty, excise equivalent customs duty and the five per cent ad valorem customs duty;
 - all licensing and warehouse matters (including licence applications) for both excisable goods and EEGs;
 - all movement permissions, returns and settlement permissions for both excisable goods and EEGs;

- all supervisions relating to the disposal of excisable goods and EEGs; and
- all compliance and/or audit functions, including inspections.
- Customs maintaining responsibility for all import, export and ICS transaction related inquiries with **no Customs interaction required for the administration of duties.**

The system envisaged by JR/Duty Free enables a duty free retail business to deal with one single agency (i.e. the ATO) for all revenue matters, and one single agency (i.e. Customs) for all border protection issues. This would greatly simplify the volume of administrative transactions required, and reduce the number of agency representatives that a retailer would need to deal with. Indeed, this model conforms to the observed evolution of the roles of each agency, whereby:

- the ATO is the Government's principal revenue collection agency;¹ and
- Customs manages the security and integrity of Australia's borders.²

While this model may appear to be a long-term objective, it does not represent an unachievable reform. Reforms under the single administration initiative demonstrate progress towards this model. However, further reforms are needed to enhance business and government efficiency, ensure appropriate use of government resources and reduce the regulatory and administrative burden placed on businesses.

JR/Duty Free believes that the ultimate goal is for the legislative responsibility to be transferred to the ATO, under amending legislation, and not to have a system of delegations (from Customs to the ATO) where these can be avoided. Treasury, with input from the ATO, should then have policy responsibility for the relevant legislation.

1.2 Administration of excise equivalent goods

1.2.1 How do the differences in the legal and administrative treatment of excisable goods and excise equivalent goods affect your business

As a duty free store, JR/Duty Free has not enjoyed a number of the benefits arising from the recent single administration initiative. In particular, as a business dealing in both excisable goods and EEGs, JR/Duty Free is still required to deal with the ATO in respect of excisable goods and Customs in respect of EEGs, and the different reporting requirements, forms, communication methods and payment options associated with each agency create administrative complexities for business, as outlined in Figure 1.

¹ Australian Taxation Office, *About Us* (2012)
http://www.ato.gov.au/corporate/pathway.aspx?sid=42&pc=001/001/002&mf=001&mnu=39504#001_001_002.

² Australian Customs and Border Protection Service, *About Customs and Border Protection* (5 September 2012)
<http://www.customs.gov.au/site/page4222.asp>.

Figure 1 : Comparison of excisable good and EEG administration across duty free stores and mainstream businesses

	Duty free stores		Mainstream businesses ³		Comment
	ATO	Customs	ATO	Customs	
<i>Excise Storage Licence</i>	✓ (for excisable goods) Paper based form Faxed	N/A	✓ (for excisable goods and EEGs) Excise manufacture or Storage Licence Paper based form Faxed	N/A	Mainstream business generally only required to liaise with the ATO, except in relation to new Customs Warehouse Licence applications.
<i>Customs Warehouse Licence</i>	X	✓ (for EEGs) Electronic form Submitted via ICS	Electronic form Submitted via ICS	X	
<i>Movement permissions</i>	✓ (for excisable goods and EEGs) Paper based form Faxed	X	✓ (for excisable goods and EEGs) Paper based form Faxed	X	No difference.
<i>Returns and settlement permissions</i>	✓ (for excise duty) Paper based form Faxed or mailed EFTPOS or mail payment (i.e. cheque)	✓ (for customs duty) Paper or electronic form (ICS) In person or EFTPOS payment	✓ (for excise duty) Paper based form Faxed or mailed EFTPOS or mail payment (i.e. cheque)	✓ (for customs duty) Paper or electronic form (ICS) In person or EFTPOS payment	No difference.
<i>Remissions</i>	✓ (for excise duty) Paper based form Faxed or mailed	✓ (for customs duty) Paper based form Faxed	✓ (for excise duty and customs duty) Paper based form Faxed or mailed	X	Single administration initiative requires mainstream businesses to liaise with the ATO only, duty free stores are still required to liaise with the ATO and Customs.

The lack of administrative alignment in the treatment of excisable goods and EEGs creates significant complexities and burdens for JR/Duty Free, as demonstrated in Figure 1, while the significant reliance on paper-based documentation is exemplified in Case Study 1.

³ 'Mainstream businesses' are used to refer to businesses which deal in both excisable goods and EEGs, but are not duty free stores, catering bonds or providers.

Case Study 1

JR/Duty Free processes approximately 26 consulate sales per annum. Customs requires completion of Form B615 (*Application for Release of Goods from Customs Control to Diplomatic Missions, Consular Posts and Privileged Individuals*) to give effect to these sales. This requires:

- manual completion of the four page Form B615;
- completion of the *Import Declaration out of Warehouse (Import Declaration Nature 30)* form, with an individual page for each good purchased during the sale outlining the product's original Nature 20 entry and line number; and
- a photocopy of the original sales receipt.

The process undertaken to complete and submit this form is arduous and time consuming, particularly in terms of tracking each product's line number and Nature 20 entry.

There is a need to streamline and consolidate administrative and regulatory reporting requirements, processes and templates to enhance business and government efficiency and create a more user-friendly system.

1.2.2 How could compliance costs to business be reduced while ensuring that government revenue is adequately protected from loss of customs and excise duties?

JR/Duty Free acknowledges that any administrative reforms must carefully balance the need to protect government revenues and promote compliance with revenue collection agency procedures. However, reform is required towards a proactive approach to revenue collection based on appropriate identification and targeting of risks to revenue loss, rather than protracted reporting requirements and developing an overtly bureaucratic and burdensome regime.

In this regard, JR/Duty Free is strongly supportive of the risk management approach to revenue collection adopted by the ATO. This approach, based on the management of tangible risks (as opposed to Customs' approach of requiring a paper-based trail of documentation to demonstrate compliance), enables the ATO to differentiate its engagement with businesses based on its view of their relative likelihood of non-compliance and the consequences of any potential non-compliance.

The ATO has discretion to confer low-risk reputation status on certain businesses in respect of their compliance with licensing requirements, and therefore only undertakes minimal audits relating to excisable goods. Conversely, Customs does not adopt a similar approach, and therefore undertakes audits on a more frequent basis, resulting in a greater burden on businesses and government resources alike, and failing to target compliance efforts towards businesses which present the greatest risk to government revenue.

This approach is particularly burdensome on established and reputable businesses with a solid track record of compliance. Furthermore, the lack of a risk management approach

at Customs maintains an antiquated ‘gatekeeper’ approach⁴ to duty free store compliance, and is not in keeping with the simplification and harmonisation objectives of the *Revised Kyoto Convention*⁵, to which Australia became a signatory in 2000.

JR/Duty Free contends that the adoption of a risk management approach similar to that of the ATO’s can reduce business compliance costs while ensuring adequate protection for government revenue as it:

- facilitates the performance of more targeted audits and compliance checks, focusing on businesses with a high-risk status or demonstrated history of non-compliance – thus focusing efforts on the taxpayers which present the greatest risk to government revenue loss; and
- creates an incentive for businesses to demonstrate long-term compliance and comprehensive record-keeping, especially if they are likely to receive a ‘low-risk’ rating which will result in less frequent (or less intensive) audit and compliance checks, therefore reducing their compliance costs.

These factors considered, adoption of a risk management approach to the collection of taxation revenue from both excisable goods and EEGs is to be strongly supported, as it provides benefits to businesses and the government alike. Furthermore, the transfer of responsibility for EEG compliance from Customs to the ATO, with its existing risk management approach, will enhance the overall application of a risk management approach to duty administration across the duty free industry.

Recommendation

- 1 Transfer responsibility for all revenue collection matters for EEGs to the ATO, including collections, remissions, drawbacks and refunds pertaining to excise duty, excise equivalent customs duty and, if possible, the ad valorem customs duty (e.g. five per cent for distilled spirits).

1.2.3 What opportunities do you see to improve the legislative and administrative arrangements to reduce difficulties or inefficiencies?

JR/Duty Free contends that greater implementation and development of the single administration initiative is likely to result in the greatest potential benefit to its business. Suggested reforms are outlined in Sections 1.3 to 1.6 and broadly relate to four key areas, being:

- the ATO having responsibility for all administrative matters relating to EEGs, including revenue collection, licensing and warehouse, movement permissions, returns and settlement permissions, destruction supervisions and compliance/audit functions relating to EEGs. This will result in a single point of contact for businesses in respect of excisable goods and EEGs.

⁴ D. Widdowson, ‘Managing Risks in the Customs Context’ in De Wulf, L. and Sokol, J., *Customs Modernization Handbook*, The World Bank, Washington D.C., pp – 91 - 99.

⁵ Asia-Pacific Economic Cooperation Secretariat (APEC), 2003, *The revised Kyoto Convention: a pathway to accession and implementation*, Ch. 3, Singapore, 2003, p. 15.

- consolidation of application forms relating to, inter alia, licensing matters and remissions for excisable goods and EEGs;
- greater use of electronic methods for applications, authorisations and correspondence; and
- removal of the requirement to include details relating to an EEG's Nature 20 entry and line number in respect of movement permissions, remissions, settlement permissions, etc.

Simplification in these four key areas will result in substantial time, cost and resource savings to business, and will receive strong support across the duty free industry and its suppliers of excisable products.

1.3 Licences

1.3.1 How could the current licensing system be improved?

As a business which deals in both excisable goods and EEGs, JR/Duty Free is required to hold both an Excise Storage Licence and a Customs Warehouse Licence. JR/Duty Free acknowledges that the ATO was delegated responsibility for administering the warehouse licensing regime for EEG warehouse clients under the single administration initiative, however this reform did not extend to include duty free stores. As such, JR/Duty Free is required to deal with both the ATO and Customs in respect of its licensing requirements.

In its dealings with both the ATO and Customs, JR/Duty Free has found that there is limited (if any) communication between the ATO and Customs in respect of approved signatory lists. As demonstrated in Case Study 2, this leads to out-of-date records, and requires identical information to be provided to multiple agencies on multiple occasions.

Case Study 2

JR/Duty Free was required to move its licensed warehouse premises at Cairns Airport following the establishment of a new on-airport warehouse location. During the course of this process, JR/Duty Free discovered that its approved signatory list was up-to-date with Customs, but not the ATO. Despite the fact that these lists are meant to be identical to one another, there was no communication between Customs and the ATO regarding recent changes to JR/Duty Free's approved signatories. As such, this led to a delayed and protracted finalisation of matters relating to the Excise Storage Licence.

Instances such as that outlined in Case Study 2 are not uncommon. The lack of communication between Customs and ATO, and the need to deal with multiple agencies is frustrating for business, leading to inefficiencies and delays. Given the similar nature of licensing requirements for both the Excise Storage Licence and the Customs Warehouse Licence, and the fact that the ATO has assumed responsibility for administering the warehouse licensing regime for 'mainstream' EEG warehouse clients, JR/Duty Free contends that it would be desirable for the ATO to assume responsibility for all licensing requirements across all business entity categories that deal with EEGs.

Recommendation

- 2 Transfer responsibility for warehouse licensing requirements for EEGs across all business entities (including duty free stores) to the ATO.

1.3.2 Is there any duplication between the processes for excise and customs warehouse licences that could be simplified or other suggestions that could improve the process?

As noted in Section 1.3.1, as a duty free store, JR/Duty Free has not benefitted from the single administration initiative in respect of warehouse licensing arrangements, and is required to deal with Customs in relation to its Customs Warehouse Licences and the ATO in relation to its Excise Storage Licences. This requires the completion of different forms (some paper-based which are either faxed or mailed; some electronic), compliance with different renewal periods, renewal dates and renewal processes, and liaison with a representative from Customs and a representative from the ATO.

There is considerable duplication in information requirements, application processes and time spent liaising with ATO and Customs representatives, which results in a significant time and administrative burden on duty free businesses. As the licensing information requirements for both Excise Storage Licences and Customs Warehouse Licences are comparable, it is desirable that these licence categories be amalgamated into a single licence which is administered by the ATO. This would greatly simplify JR/Duty Free's licensing reporting requirements, and would also reduce the administrative processing burden borne by Customs.

Recommendation

- 3 Consolidate the Excise Storage Licence and Customs Warehouse Licence into a single licence which is administered by the ATO.

JR/Duty Free also has a number of excise warehouses and customs warehouses across Australia. As each individual warehouse requires a licence, JR/Duty Free is required to maintain multiple (often identical) licences. Complying with varying fee and reporting requirements and licence renewal periods and dates is administratively complex and time-consuming. Furthermore, Bank Guarantees also are required separately for each individual licence, which places an additional administrative and financial burden on duty free businesses. The introduction of a single entity licence, administered by the ATO, which is sufficient for an entire business network, would remove administrative complexity and streamline the licence application and renewal processes for multiple sites into a single transaction.

Recommendation

- 4 Introduce a single entity licence, administered by the ATO, which is sufficient to cover an entire business network with multiple excise storage warehouses and customs warehouses.

1.4 Movement permissions

1.4.1 What impact do the current requirements and processes for permissions have on your business?

As one of the largest duty free store organisations throughout Australia and New Zealand, JR/Duty Free also acts as a wholesaler within the supply chain, where it is able to utilise its relationship with major suppliers to supply other retail outlets throughout Australia. This is particularly the case for luxury and hard-to-obtain goods, including boutique fragrances.⁶

This business initiative is inhibited by the movement permissions requirements in cases where JR/Duty Free supplies goods underbond to other duty free retailers. In order to act as a wholesaler in this manner, JR/Duty Free is required to complete a single movement permission each time a buyer makes an order. Despite recent simplification to this process with the consolidation of single movement permission requests for both the ATO and Customs into a single form (NAT 73711-05.2011), a considerable volume of paperwork is still required, including:

- completed NAT 73711-05.2011 form;
- product details, including individual line numbers and Nature 20 entry reference for EEGs; and
- supplier documentation.

Preparation of this documentation takes approximately 30 to 60 minutes, depending on the amount of stock to be moved, and whether the movement permission relates to excisable goods or EEGs alone, or both product categories. This paperwork is then sent via mail to the ATO for processing. Approval to move the goods often takes up to one week, especially where there is no pre-existing relationship with the relevant ATO representative authorising the permission. The length of time required to complete the movement permission documentation, and the slow turnaround time associated with authorising the movement permission, impacts on JR/Duty Free's ability to provide an efficient, timely wholesale service to its buyers. Furthermore, this administrative complexity reflects poorly on JR's business operations, particularly in situations where an individual buyer requests only a small quantity of stock yet the movement permission requirements prevent the delivery of a timely and effective service. As such, this process creates a disincentive for JR/Duty Free and other duty free retailers.

1.4.2 How can these requirements and processes be improved to reduce compliance costs or administrative burden?

In order to facilitate prompt processing and authorisation of single movement permission applications, JR/Duty Free recommends further application process simplification through:

- removal of the requirement to include product line numbers and Nature 20 entries in respect of movement permissions pertaining to EEGs; and

⁶ Source: JR/Duty Free

- facilitating electronic completion and submission of the single movement permission application form to the ATO, along with application approval notification via e-mail or another online system.

Implementation of these reforms would significantly reduce the time taken to complete a single movement permission application, and would also enable authorisation to move the goods to be received quickly, thus improving the turnaround time for wholesalers to supply stock to relevant buyers.

Recommendation

- 5 Simplify requirements pertaining to single movement permission applications by:
- removing the need to include product line numbers and Nature 20 entry details in respect of EEGs; and
 - enabling electronic completion and submission of the relevant documentation, and electronic receipt of notification of authorisation to move the goods.

1.5 Remissions, drawbacks and refunds

1.5.1 Do you see any opportunities to improve the way remissions, drawbacks and refunds are administered?

JR/Duty Free acknowledges that following the single administration initiative, the ATO is now responsible for managing remissions in respect of both excise duty and excise equivalent customs duty. However, this reform initiative does not extend to duty free stores, and, as such, JR/Duty Free is required to liaise with the ATO in respect of excise duty remissions, **and** Customs in respect of excise equivalent customs duty and ad valorem customs duty remissions. Dealing with two separate agencies is administratively complex, and these difficulties are exacerbated through:

- the need to include Nature 20 entry and line number details in respect of EEGs, which requires maintenance of a complex bond register;
- different forms to be completed in respect of remissions pertaining to EEGs (Form B730) and remissions pertaining to excisable goods (NAT4289-09.2008);
- the completion of necessary documentation by hand, and then correspondence with the ATO and Customs via fax, which results in large volumes of paperwork to be stored in hard copy; and
- the need to liaise with Customs to supervise destructions of EEGs, but the ATO to supervise destructions of excisable goods (if required).

Given the similar nature of remission requirements for both excisable goods and EEGs, and the fact that the ATO has assumed responsibility for administering the remissions process for excisable goods and EEGs outside the purview of duty free stores, JR/Duty Free contends that it would be desirable for the ATO to assume responsibility for all remissions processes across all business entity categories. This would present a logical progression of the single administration initiative and build on positive reforms so far.

Recommendation

- 6 Transfer responsibility for remissions of excise equivalent customs duty across all business entities (including duty free stores) from Customs to the ATO.

To further enhance administrative simplicity and efficiency associated with remissions of excise duty and excise equivalent customs duty, JR/Duty Free contends that additional reform initiatives may be pursued, including:

- **Removal of the requirement to include Nature 20 entry and line number details in respect of remissions of excise equivalent customs duty.** This would remove the need for a complex bond register, and avoid the significant administrative time and cost involved in tracing individual goods back to their original Nature 20 entry;
- **Consolidation of the application forms for remission of excise duty and excise equivalent customs duty into a single form.** This form may be similar to that now used to apply for single movement permissions (NAT 73711-05.2011), which relates to both excisable goods and EEGs; and
- **Enabling remission applications to be completed and lodged electronically.** This would remove the need for the ATO, Customs and businesses to process and store large volumes of paperwork.

While the removal of the requirement to include a Nature 20 entry and line number details for remissions of excise equivalent customs duty represents a rather significant shift in the administration of EEGs, it is a necessary one. The maintenance of a complex bond register to account for the excise equivalent customs duty and five per cent customs tariff amount requires substantial time, effort and resourcing.

Indeed, JR/Duty Free's in-house database has been modified to include specific data entry fields to facilitate capture, tracing and tracking of this information. However, the time and effort incurred in tracing this data is for little return – a recent application for remission of customs duty was for a total of \$38.68, which is not commensurate with the time and effort expended in preparing the application. Positive reform should appropriately balance administrative burden with commensurate return for businesses.

Conversely, reforms such as the development of a single electronic remission application form build on existing reform initiatives and present few difficulties to implement and administer. Furthermore, such red-tape reductions offer significant time, cost and resource savings for businesses and government and are consistent with recent initiatives across the Federal Government to streamline government administration and enhance interaction between government and the community. Keynote initiatives include:

- the 2010 *Better Dealings with Government* review, which focussed on developing mechanisms to provide more citizen-centric payments and information interactions with government;
- the 2009 *Australia's Digital Economy: Future Directions* review, which focussed on developing future efficiencies for government in digital service delivery; and

- the 2008 *Review of the Australian Government's Use of Information and Communication Technology* (Gershon Review), which focussed on reducing duplicate expenditure by agencies through the provision of enhanced IT services.

Reforms to the payment remissions process will help to achieve the visions outlined in these (and other) reviews, and should be pursued as a matter of urgency.

Recommendations

- 7 Dispense with the requirement to include Nature 20 entry and line number details in respect of remissions for excise equivalent customs duty.
- 8 Consolidate application forms for remission of excise duty and excise equivalent customs duty into a single form.
- 9 Facilitate electronic completion and submission of remission applications, and electronic advice confirming destruction permission.

1.6 Duty free stores

1.6.1 How could the administrative framework governing duty free stores be improved to reduce your administrative and compliance costs?

While the reform considerations outlined in Sections 0 to 1.5 above represent opportunities to reduce the regulatory and administrative burden borne by JR/Duty Free, the greatest potential benefits lie in reforms to the Docket Retrieval Scheme for export verification.

As a duty free operator, JR/Duty Free maintains a substantial database which contains a record of all transactions occurring at its stores. JR/Duty Free performs a reconciliation on a monthly basis to identify:

- whether a traveller who has made a duty free purchase has presented their sales invoice/docket to a docket collection agent upon arrival at the airside departure area of the airport; or
- if not, whether the traveller has delayed or postponed their travel plans, or the goods have been entered for home consumption.

This process is administratively intensive, and requires consultation with in-store representatives to ascertain, in cases of a traveller's non-presentation at the airside departure area of the airport, whether their travel has been delayed (in which case JR/Duty Free is required to update its database entry to reflect the traveller's revised departure date), or whether it appears that the sales invoice has not been collected upon border crossing and therefore the goods are assumed to have been entered for home consumption.

In instances where it appears that there is a missed docket (ie 'a miss'), it is assumed that the goods have been entered for home consumption. JR/Duty Free is then required to undertake the following procedures:

- For excisable goods:
 - calculate the excise duty and Goods and Services Tax (GST) payable;

- prepare an operator returns statement for the ATO in respect of excise duty payments to be made;
 - make an EFTPOS payment in respect of the excise duty payable;
 - submit the operator returns statement and payment remittance advice via fax or post; and
 - charge each individual traveller's credit card the appropriate amount of excise duty (and excise equivalent customs duty, if applicable to their total purchase) payable as a result of their missed docket.
- For excise equivalent goods:
 - calculate the customs duty and GST payable;
 - prepare an operator returns statement for Customs in respect of customs duty payments to be made;
 - submit the operator returns statement via post, **along with a cheque payment** in respect of the customs duty payable; and
 - charge each individual traveller's credit card the appropriate amount of excise equivalent customs duty (and excise duty, if applicable to their total purchase) payable as a result of their missed docket.

The time incurred in preparing the returns statement and processing relevant credit card charges is considerable, and presents a significant administrative burden on JR/Duty Free.

Proposals contained in draft regulations released by the Treasury in 2011 for consultation will soon permit goods sold from landside duty free stores in 'sealed bags' to be exported within 60 days of purchase (rather than 30)⁷. This change may in certain cases result in a reduction in the number of 'missed receipts' to be accounted for due to delayed departure dates. However, the necessary paperwork required to account for excise duty and customs duty payments due to missed dockets is still significant, and will remain significant despite the reforms.

As with many of the recommendations outlined earlier, and with JR/Duty Free's vision for administration of excisable goods and EEGs, much of this administrative burden could be minimised through:

- use of the ATO as the single contact point for missed docket duty payments pertaining to excise duty and excise equivalent customs duty, rather than dealing with the ATO and Customs separately;
- facilitating a single EFTPOS payment for both excise duty and excise equivalent customs duty; and
- facilitating electronic completion and submission of a single form which relates to both excise duty and excise equivalent customs duty.

⁷ Treasury released the A New Tax System (Goods and Services Tax) Amendment Regulations 2011 (No.), Excise Amendment Regulations 2011 (No.) and Customs Amendment Regulations (No.) in 2007, and the reforms were first announced as part of a package of tourist shopping reforms to duty free shopping and the Tourist Refund Scheme in the 2007 Federal Budget.

JR/Duty Free contends that these measures to reduce the administrative reporting burden represent a logical extension of the single administration initiative, and build on the existing reforms, such as the development of single forms (available for movement permissions), the use of the ATO as a single contact point for excisable goods and EEGs (available in relation to most licensing matters). As such, these reforms do not present significant implementation issues, for either the ATO or Customs, and are to be strongly encouraged.

Recommendations

- 10 Transfer responsibility for processing payments of, and contact regarding, excise equivalent customs duty liability arising from missed docket collections to the ATO.
- 11 Enable excise duty and excise equivalent customs duty liability arising through missed dockets to be paid in one single EFTPOS transaction.
- 12 Create a single form to be completed in respect of both excise duty and excise equivalent customs duty payments arising due to missed docket collections which may be completed and submitted electronically.

1.6.2 Payment of border customs duties

In addition to the payment and administration of excise equivalent duty on EEGs, Customs also oversees the payment and administration of ad valorem border duties. JR/Duty Free understands that the levying of such duties remains an important part of Australia's trade policy. However, reforms could streamline the administrative process and further remove the requirement for duty free stores to maintain ongoing interaction with Customs on duty-related issues.

JR/Duty Free submits that duty free retailers should have the option to pre-pay ad valorem border customs duties, if they wish to do so, which will remove the requirement for individual transactions with Customs of a minor monetary value. In cases where misses occur and remissions are required, this function should also be carried out by the ATO, to ensure the use of just one agency for all duty payment purposes.

1.6.3 The treatment of 'missed' invoices for Sealed Bag purchases by non-Australian residents: costs and benefits of not using a risk management approach

The current duty remittance system for 'missed' invoices for Sealed Bag purchases by non-Australian residents who hold a valid return ticket, does not utilise a risk management framework. The cost of administering the remittance of duty paid for all 'missed' invoices is costly, and imposes an unacceptable administrative burden on industry that potentially outweighs the revenue benefits of recovering duties from non-export verified goods. This is particularly the case for non-Australian residents with a valid return ticket, who are highly likely to take the goods out of Australia as a matter of course.

Government should consider a risk management approach for the treatment of 'missed' invoices for non-Australian residents who hold a valid return ticket. Further analysis is required to quantify the volume of 'misses' for Sealed Bag purchases by international visitors as a proportion of overall misses. However, JR/Duty Free submits that

government should consider the potential for further reform, which will lessen the administrative burden on industry, by introducing an assumption that purchases by non-Australian residents with a valid return ticket are highly likely to take the goods out of Australia as a matter of course.

Recommendations

- 13 Transfer responsibility for processing payments of, and contact regarding, ad valorem border customs duty liability arising from missed docket collections to the ATO.
- 14 Enable duty free retailers to have the option to pre-pay ad valorem border customs duties, if they wish to do so.
- 15 Introduce a risk management approach to revenue collections, licensing and reporting requirements for both excisable goods and EEGs. This approach should facilitate the conferral of a 'low-risk' status on businesses with a demonstrated history of compliance, and focus audit efforts on businesses which present the greatest risk to government revenue. For example:
 - a risk management approach should be considered for the treatment of 'missed' invoices for Sealed Bag purchases for non-Australian residents who hold a valid return ticket. The cost of administering the remittance of duty paid for 'missed' invoices is costly, and potentially imposes an unacceptable administrative burden on industry that outweighs the revenue benefits of recovering duties from non-export verified goods; and
 - further analysis is required to quantify the volume of 'misses' by international visitors as a proportion of overall misses. However, JR/Duty Free submits that government should consider the potential for further reform, which will lessen the administrative burden on industry, by introducing an assumption that purchases by non-Australian residents who hold a valid return ticket, which are subject to a 'missed' invoice, are likely to have been exported as a matter of course.

2. Reform to export verification processes: alignment with the Tourist Refund Scheme

This section assesses the synergies that currently exist between off-airport ('downtown') duty free retail and the Tourist Refund Scheme (TRS), in which passengers can claim back GST paid on certain eligible purchases. Both off-airport outbound duty free purchases and the TRS require the verification of exports upon crossing a customs border. There is potential to align the two export verification processes. This has the potential to create savings for the Australian Customs and Border Protection Agency, and enhance the viability of existing outsourced duty free export verification services at Australian airports.

2.1 Australia's unique off-airport duty free arrangements – the sealed bag system and the docket retrieval scheme

Australia has one of the world's most comprehensive duty free retail systems. Inbound and outbound international travellers and Australian residents have access to duty free shopping, which can be categorised into two categories:

- *Inbound duty free*: which is purchased upon entering a particular destination country prior to crossing the border (commonly known as air-side arrivals in airports); and
- *Outbound duty free*: which is purchased in a country prior to departure. This purchase can occur at outlets in airport departure terminals, or in some cases in 'downtown' or 'off-airport' locations, provided that the traveller can verify their export of the good.

Outbound duty free retail outlets are common at airports, seaports and land border crossings around the world. These border retail outlets can provide for sales to be made prior to clearing Customs (known as 'land-side' at airports), and then be collected once the passenger has passed through the Customs checkpoint (known as 'air-side' at airports). Additionally, retailers are also located air-side of the Customs checkpoint.

In some countries such as Australia, retailers offer duty free sales of products in 'off-airport' or 'downtown' stores, which, like the sales at airports, are free of duties and taxes at the point of sale. A key feature of this model is that customers need to verify their duty free purchase when passing through Customs at an airport or port to maintain the duty free status. If this process does not occur within a set timeframe (e.g. 30 days in Australia), the retailer is liable to remit the duty/tax amount to the ATO and/or Customs, and the retailer may seek to recover that liability from the passenger via a pre-prepared credit card transaction slip which is then processed.

2.1.1 Off-airport duty free and the Sealed Bag Scheme

Australia enables off-airport duty free shopping through the Sealed Bag System, in which retailers and customers utilise a tamper-proof bag to ensure that purchases are taken across the border prior to use or consumption. The Sealed Bag Scheme has operated in Australia since the early 1970s, which has enabled travellers to purchase goods free of duties such as border customs duties, excise duties and excise equivalent customs

duties. Furthermore, travellers can utilise the Sealed Bag Scheme to make purchases free of domestic goods and services tax (GST).

The Sealed Bag Scheme commenced under Australia's Wholesale Sales Tax (WST) system and has been retained through significant reforms to tax policy and duty free shopping arrangements including:

- reform to the Streamlined Sales Tax (SST) system in 1993; and
- the removal of sales taxes and the introduction of the GST in 2000.

The Sealed Bag Scheme remains the cornerstone administrative procedure that enables off-airport retailers to participate in the Australian duty free shopping industry. This mechanism is highly beneficial to the Australian retail and tourism industry as it disperses and spreads the opportunities and benefits of tourist shopping beyond airports and into key retail destinations within the community.

2.2 Similarities between the export verification processes between off-airport duty free and the Tourist Refund Scheme

2.2.1 Australia's Tourist Refund Scheme (TRS)

Australia introduced the Tourist Refund Scheme (TRS) upon the introduction of the GST in 2000. Under this mechanism, prior to leaving Australia, international travellers (both Australian residents and foreign visitors) can claim back the GST paid for purchases over \$300, subject to certain conditions. TRS arrangements share some key similarities and some key differences with the 'duty free' shopping industry.

Australia's TRS is administered by Customs, and applies to any GST-inclusive good or goods purchased in Australia provided that:

- the good/s are purchased from a single retail outlet and are consolidated onto one invoice/receipt;
- the good/s total a value of \$300 or above; and
- the goods are verified as exported by Customs within 30 days of the purchase.

Unlike many other countries around the world, in Australia, Customs directly administers BOTH the export verification function (airside in the departure area of the international airports) as well as the refund payment function (undertaken electronically later).

2.2.2 Similarities and differences between the TRS and outbound duty free

An outbound 'duty free shopping' purchase is essentially different to a 'tax free' purchase under the TRS, in that duty free good purchases are **tax free at the point of sale**. By contrast, a TRS goods purchase is **inclusive of tax at the point of sale**, and gains effective tax free status upon proof of export (and later issue of the refund) at the border.

Unlike TRS purchases, which generally refund only GST/VAT and some sales taxes (such as Australia's Wine Equalisation Tax), duty free purchases are also exclusive of excise duties on excisable goods such as alcohol and tobacco goods.

Inbound duty free shopping fundamentally differs to tax free shopping, as it applies to goods that travellers bring in to a country across a border, as opposed to goods that a

traveller *takes out* of the country. Unlike a tourist refund scheme, which is primarily a tax administration mechanism, countries permit travellers to carry duty free products up to a certain allowance to enhance the passenger facilitation process. Australia is a signatory to key global conventions to facilitate the free flow of passengers across borders. These international conventions are known as:

- The *International Convention on the Simplification and Harmonization of Customs Procedures 2006* (The Revised Kyoto Convention); and
- The *Convention on International Civil Aviation 1947* (The Chicago Convention).

The Revised Kyoto Convention promotes efficient trade facilitation across its member countries and has been updated as trade and customs requirements have evolved.⁸ The Chicago Convention oversees the administration of civil aviation across the world, including ensuring that international civil air transport is administered in a safe and orderly manner.⁹

2.2.3 The export verification process

The biggest administrative similarity between outbound duty free shopping and TRS arrangements is the mutual need for physical export verification. Many on-airport outbound duty free stores have installed infrastructure and procedures to enable the collection of goods by travellers after crossing the Customs border (airside). In contrast, the off-airport outbound duty free shopping arrangements require a separate export verification point, which additionally adds an obligation for the traveller to ensure physical verification of their goods at the Customs point.

In Australia, this process is outsourced by the duty free industry to a private service provider, Duty Free Security Co. Ltd. (“DFSC”), which works in partnership with the outbound duty free industry. DFSC is recognised by Customs, for regulatory compliance purposes, as being the agent for the off-airport duty free operators in relation to collection of the dockets to substantiate export of the goods sold in the sealed bag.

This is a key similarity between this retail model and a TRS system, which also has an export verification requirement. However, unlike a TRS, outbound duty free sales do not include a refund component as the goods are sold exclusive of duties and taxes at the point of sale. Furthermore, ‘tax free’ purchases under a TRS are generally only exclusive of broad-based consumption taxes (e.g. GST/VAT) and some sales taxes, and unlike duty free sales, a TRS transaction does not provide a refund for excise duties (or excise equivalent customs duties) levied on goods intended for domestic consumption.

As mentioned above, in Australia, Customs directly administers both the export verification process in Australia and the issuance of refund payments. JR/Duty Free submits that this is a costly use of skilled Customs officers at Australian airports, who could be better utilised in more essential roles pertaining to border protection and passenger facilitation. Furthermore, Customs’ resources are increasingly scarce at Australian airports given the recent reductions in the agency’s funding for passenger facilitation activities in the last two federal budgets.

⁸ World Customs Organization (WCO), ‘Tools and Instruments – The Revised Kyoto Convention’

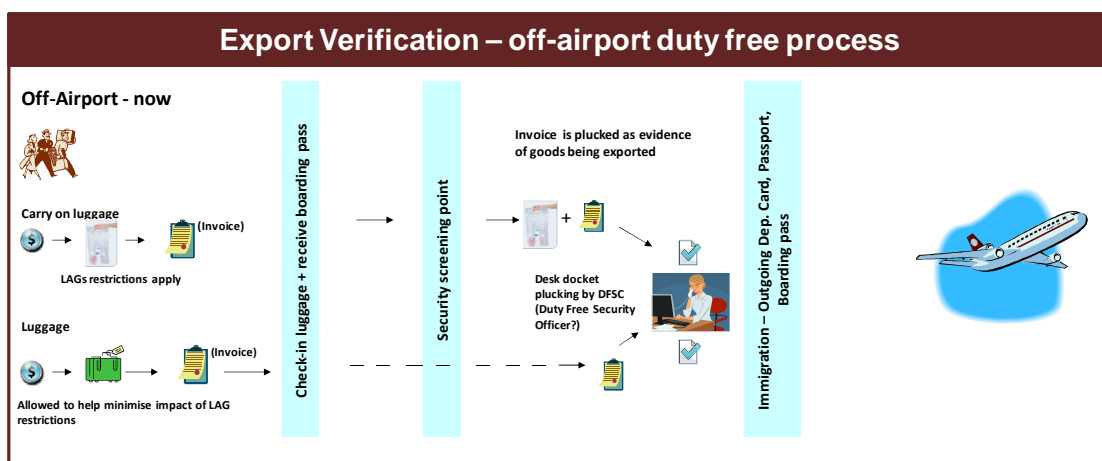
⁹ International Civil Aviation Organization (ICAO), ‘Convention on International Civil Aviation’

Figure 2 outlines the current export verification process in Australian airports. Given restrictions that apply to the possession of liquids, aerosols and gels (LAGs) in containers in excess of 100ml within passenger hand luggage, the export verification process differs for hand luggage and checked-in luggage.

To minimise the impact of LAGs restrictions, the following process applies:

- *Carry-on luggage (including any LAGs under 100ml)*: passengers must present the goods in their sealed bag with receipt showing for manual plucking by DFSC officers, to verify the export; and
- *Checked-in luggage (including any LAGs over 100ml)*: passengers are able to pack the goods prior to check-in, but must present the receipt (with goods un-sighted) to DFSC officers to verify the export.

Figure 2: Export verification process for off-airport duty free purchases



2.2.4 Opportunity for alignment between outbound duty free and TRS export verification

In response to a review of tourism shopping arrangements in Australia, the Howard Government announced a series of proposed measures in the 2007-08 Federal Budget to enhance duty free shopping and tourist shopping through the TRS. These reforms included four measures:¹⁰

- 1 enabling private providers to provide tourist refunds — with approval for refunds and compliance to remain a government function;
- 2 extending the period during which travellers can purchase goods and be eligible to claim a refund of GST and wine equalisation tax through the Tourist Refund Scheme (TRS) from 30 days to 60 days;
- 3 allowing travellers using the TRS to aggregate multiple invoices from single retailers in order to meet the \$300 threshold for TRS claims; and

¹⁰ Note: Numbering has been used for the purposes of this submission, and the measures were not numbered in order of priority in the 2007-08 Budget Papers.

- 4 extending the period during which travellers can make tax-free purchases through the sealed bag system from 30 days to 60 days.

As outlined in Section One of this submission, the Treasury has consulted industry on draft regulations to enact measures two to four. Measure One, to open up the TRS to private sector providers, was rescinded by the Rudd Government in 2008. Those draft regulations also included separate new proposals for new declarations procedures for LAGs products (the LAGs declaration proposals). JR/Duty Free and the Australian Duty Free Association (ADFA) strongly oppose the LAGs declaration proposals.

JR/Duty Free understands that representatives of the Australian tourism and retail industries are advocating that the government once again consider reforming the TRS to an open market for private refund operators. The ADFA has supported this proposal in the past, as it has the potential to enhance the take-up of tourist shopping in Australia. JR/Duty Free notes that the NSW Government's Visitor Economy Taskforce recently recommended this overdue reform to Australia's GST Tourism Refund Scheme to allow for competition by private refund operators.¹¹

Opening the TRS to private sector providers would remove the requirement for Customs to physically administer the payment of GST and WET refunds to outbound travellers. Under the reform proposal, these payments would be made by the private refund operators licensed by the Federal Government. As such, the only remaining role for Customs would be to conduct the export verification process. Administration of the TRS export verification function is a considerable expense for Customs, given its labour-intensive process.

Given that the export verification function at airports for sealed bag duty free transactions is currently outsourced, JR/Duty Free submits that the TRS export verification process should be incorporated into a consolidated role, to be outsourced to a private provider. As the current provider of export verification services to the duty free industry, DFSC would be well-placed to tender for this expanded role. An expanded export verification role would enhance the long-term viability of outsourced export verification providers.

There are significant potential cost savings and head count savings to be made in the current labour-intensive and manual Customs operational approach to the TRS export verification functions. These savings are yet to be quantified, however an outsourced consolidated export verification function would likely enable Customs to find greater administrative savings for government.

Recommendations

- 16 TRS export verification should be incorporated into the export verification for sealed bag duty free purchases, to be outsourced to a single private provider.
- 17 The existing Sealed Bag scheme should be maintained, which will remain viable under a single consolidated export verification process for both sealed bag duty free purchases and TRS purchases.

¹¹ See NSW Visitor Economy Taskforce, Recommendation 31 and Action 31D, released August 2012.

3. Off-airport collection of pre-purchased duty free goods after return to Australia

3.1 The benefits of post-return collection of pre-purchased duty free goods

Australia's on-airport duty free industry provides returning visitors to Australia with the convenience of a collection facility for duty free goods that were pre-purchased on departure. This system is effective for several key reasons, in particular:

- *It is good for travellers:* as it enables travellers the benefits of duty free shopping without the inconvenience of having to carry goods for extended periods of time on their overseas journey, or having to queue to purchase goods upon arrival after long-haul travel; and
- *It is good for Australian on-airport retailers:* as it provides an incentive for travellers to make duty-free purchases in Australia rather than upon departure from their international travel destination prior to their arrival in Australia.

Upon arrival collections also enable international travellers arriving back in Australia to negate the risk of the confiscation of LAGs goods over 100ml. Presently, many international purchases in foreign airports will not be allowed on a flight bound for Australia.

3.2 Levelling the playing field between on-airport and off-airport duty free shopping

Whilst upon-arrival duty free purchases are beneficial for travellers and on-airport duty free retailers alike, off-airport duty free retailers cannot offer a similar service. Currently, on-airport retailers are able to provide upon arrival collections, as the goods are held at the airport under bond until they are collected in the arrivals concourse at the arrivals duty free shop.

JR/Duty Free submits that this process unfairly disadvantages off-airport duty free retailers, and leaves the off-airport duty free industry at a competitive disadvantage to on-airport competitors.

JR/Duty Free advocates reform to the duty free regulatory framework, to introduce a mechanism that extends the current concept of pre-ordering of duty free goods for collection at the arrivals duty free store for returning travellers. The objective, based upon the same principle currently applying at arrivals duty free stores, would be to enable off-airport collection of pre-ordered and pre-purchased duty free goods at licensed off-airport duty free stores within a short (determined) time period after return to Australia.

The current arrangements for pre-ordering and collection on return to Australia at the airside arrivals duty free store allow faster disembarkation procedures for returning travellers. These arrangements are supported by JR/Duty Free. The arrangements help reduce congestion in airside arrivals duty free stores, and also help reduce waiting times for returning travellers who would otherwise make these duty free purchases, within the travellers' duty free allowances, at the arrivals duty free stores.

The products subject to pre-purchase and collection at the arrivals duty free stores are not physically exported by the travellers from Australia. These goods are purchased at the airside departures duty free store, packed and then stored at the arrivals duty free store for collection by the traveller on their return to Australia at a later date. The purchases are subject to the generally applying duty free allowances to which the returning traveller is entitled. Departing travellers make the pre-purchase transactions in full knowledge of their duty free entitlements upon return to Australia.

JR/Duty Free believes that, in order to allow open competition for pre-purchased goods to be collected on return by returning travellers, similar arrangements should be developed to enable collection of pre-purchased goods from the relevant off-airport duty free store.

Under this concept, returning travellers would have a strictly limited time after returning to Australia to collect the goods. This time period would be determined in the Regulations, after consultation with the industry.

3.2.1 Inclusion in any broader reforms to tourist shopping arrangements in Australia

As highlighted in Section Two of this submission, key inquiries such as the NSW Visitor Economy Taskforce have acknowledged the potential of enhanced tourist shopping policies to increase international visitor expenditure. JR/Duty Free submits that the introduction of off-airport collection of pre-purchased duty free goods should form part of any broader suite of off-airport tourist shopping initiatives to enhance tourist shopping in Australia.

A liberalisation of off-airport tourist shopping arrangements will enable off-airport duty free stores to better compete with on-airport duty free stores. Presently, on-airport duty free stores currently have an effective monopoly over the right to offer pre-purchase and later collection by returning travellers, without physical export of the goods.

JR/Duty Free believes that adequate mechanisms to protect the revenue can be developed to ensure that the off-airport collection of pre-purchased duty free goods would only be available where there was satisfactory evidence that the goods collected were still within the returning traveller's duty free allowance entitlements. JR/Duty Free welcomes further opportunities to engage with government on this potential reform. A conceptual framework for such a reform is outlined in the graphics attached in Appendix 1.

[See attached graphics in Appendix 1]

Recommendation

18 Enact reforms that will enable off-airport collection of pre-purchased duty free goods at off-airport duty free stores within a short time after return to Australia. This reform should be included in any suite of reforms to off-airport tourist shopping arrangements in Australia.

4. Conclusion

JR/Duty Free is strongly supportive of the single administration initiative and the opportunities it presents to reduce the administrative burden borne by duty free stores. Recent reforms by the Australian Government to the administration for excise equivalent goods (EEGs) were a step in the right direction.

Further reform is required to lessen the administrative and compliance burden that is currently borne by Australia's duty free retail industry. This reform process provides the prospect for meaningful and progressive reform, which can extend the benefits of the single administration to the Australian duty free sector, to help ensure its long-term viability.

Government should consider a risk management approach for the treatment of 'missed' invoices for non-Australian residents who hold a valid return ticket. Further analysis is required to quantify the volume of 'misses' for Sealed Bag purchases by international visitors as a proportion of overall misses. However, JR/Duty Free submits that government should consider the potential for further reform, which will lessen the administrative burden on industry, by introducing an assumption that purchases by non-Australian residents with a valid return ticket are highly likely to take the goods out of Australia as a matter of course.

JR/Duty Free contends that all revenue-related matters should be the sole responsibility of the ATO, while border protection issues should be the responsibility of Customs. Transferring all responsibility to the ATO will avoid duplication, and result in savings through system efficiencies to both industry and government.

TRS export verification should be incorporated into the export verification for sealed bag duty free purchases, to be outsourced to a single private provider.

The existing Sealed Bag scheme should be maintained, which will remain viable under a single consolidated export verification process for both sealed bag duty free purchases and TRS purchases.

Reforms should be introduced that will enable off-airport collection of pre-purchased duty free goods at off-airport duty free stores within a strictly limited time for returning travellers.

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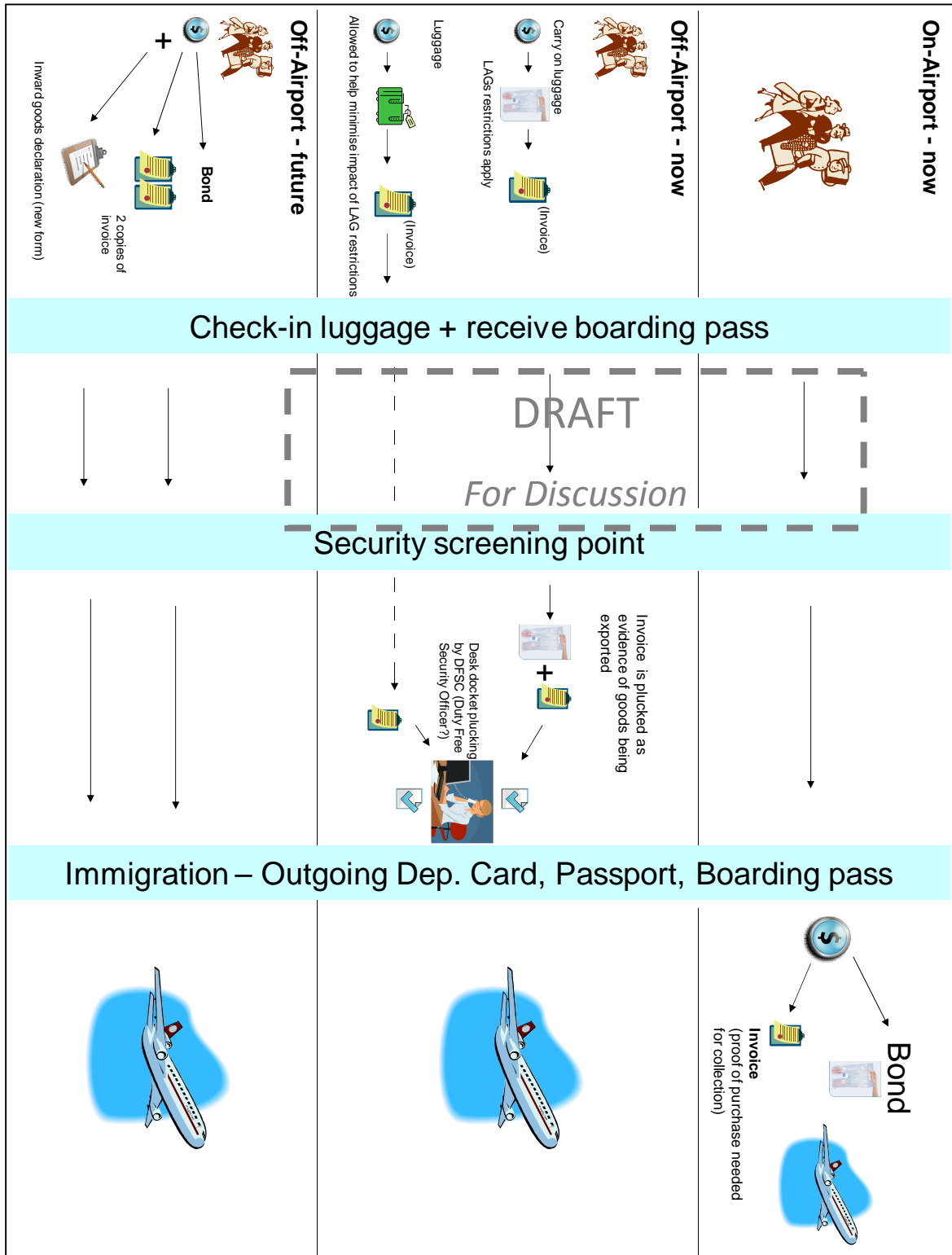
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Appendix 1: Reform to off-airport upon-arrival collection of goods

Graphic 1: Reform to off-airport upon arrival collection of goods – departures context



Graphic 2: Reform to off-airport upon arrival collection of goods – arrivals context

