

[Issue No 2 - September 2001]

Editorial Comment

Halfway Solution for ACIS Duty Refunds?

As forecast in our last newsletter, the Australian Customs Service confirmed 5 September that Refunds of Duty would now be granted to importers by using ACIS Credits against eligible PMV and automotive components, retrospective from 1 January 2001.

Although a welcome boost, TCF Services believes bottlenecks within Customs systems are still holding back the potential for credit holders and buyers to get the best value out of the scheme. In the case of ACIS credit transfers - and their application to duty refunds - the term 'best value' is a combination of the price and the payment terms. Both elements are affected by the timeliness of government processing systems.

Whilst ACIS credits can now be transferred electronically through AusIndustry in a matter of minutes, a major log-jam occurs at the back-end of the system. Customs currently requires up to 7 days to transfer the credits to the Commonwealth Ledger before usage can take place by Brokers on Customs entries, and a further 21 day period to process refund applications and distribute payment.

In today's electronic age, the up to 7 day transfer delay is poor, and a costly impediment to clients. Really, it should take a matter of minutes. The additional 21 days is due to the 'Red Line' status given to such entries - meaning that actual import documents are required to be lodged prior to refund approval being granted. Again this approach imposes yet another cost impediment upon the industry, given that 99% of all credits are used by major importers against eligible new Motor vehicles under Chapter 87 of the Customs Tariff.

At this stage, Customs have indicated that Refund entries will continue to receive Red Line status until such time they become satisfied the proper security checks and balances are working effectively, and the system is not being abused. The problem for Customs arises from the fact that ACIS credits can be used against any Tariff item, but should only be used against eligible PMV imports. The most practical solution for Customs is to allow Green Line status to be afforded to new cars under Chapter 87, where there is no potential risk to the revenue.

This would be a good result for ACIS participants in better balancing supply and demand for credits, as well as for the Government, due to the adoption of a best practice administrative model.

ACIS Audit Preparation - Will you pass the test?

AusIndustry have already completed detailed audits of the top 20 Automotive Component Producers - representing approximately 60% of the total 'pool' of credits expected to be claimed under the scheme given current business plan data.

The focus of audits is primarily on the 2001 data submitted (Q1 claim onwards). Substantiation issues have firstly involved an overview of recording systems used to report ACIS eligible investment, along with a discussion of what tracking systems are in place for any associated expenditure. Some other key areas include:

■ Sales Value

Sale values need to be broken down as advised in returns, including product type, buyer and date sold, quantity and price charged to establish arms length pricing methodologies.

■ Plant & Equipment Claimed

P&E also needs to be broken down by type as advised in returns, including purchased and leased equipment by relevant purchase date and cost. Supporting documents required for substantiation of the claim will include asset registers, job cards, balance sheets, invoices and payment records and any other relevant records.

■ Research & Development Claimed

R&D needs to be broken down as advised in returns, and separated into in-house, contracted and overseas R&D. Information to support your claim will include:

- (i) The purpose of the R&D; and
- (ii) Facilities and staff used to undertake R&D projects.

Supporting documents required for these claims will include salary and wage records, project costing details and timesheets, and any other relevant records as may be requested.

■ Commonwealth Assistance Received

You will need to provide a breakdown of any Commonwealth assistance received.

Think you need help to pass the audit? Call TCF Services on any one of the numbers below for further guidance.

Feature Article - Automotive Components

Are your reported Eligible ACIS sales correct?

An automotive component or machine tool is taken to have been produced in Australia if at least one substantial process in the manufacture is carried out in Australia and has passed final quality control in Australia.

The automotive components reported as sales in your returns should only be those that are for the use in any type of vehicle that, if imported, would be classified to Chapter 87 of Schedule 3 to the Tariff.

This section is limited to vehicles under 3.5 tonnes, and restricted to classification 8702, 8703, or 8704.

Remember to check the Tariff to ensure that you are reporting the correct sales. Also, keep in mind the components can be for OE or aftermarket application.

If you have any problems with the new transfer procedures, please ring Kris on the number below.

Need an ACIS solution or questions answered? Why not call one of our ACIS team members and tap into our ACIS knowledge-base.

Sydney:	Gerry Frittmann	(02) 9310 2900	gerry@tcfservices.com.au
	David Tonkin	(02) 9310 2900	david@tcfservices.com.au
Melbourne:	Peter Choma	(03) 9379 8200	peter@tcfservices.com.au
	Graeme Moon	(03) 9379 8200	graeme@tcfservices.com.au
	Kris Herd	(03) 9379 8200	kristine@tcfservices.com.au

Extending the TCF Services ACIS Community/Feedback?

Is there anyone you would like to add to the AAI Advisor's mailing list?

Email your request to: kristine@tcfservices.com.au