

By email: 22nd August 2018

Dear Sir/Madam,

Thank you for the opportunity to raise our concerns relating to the consultation paper "Collecting tobacco duties and taxes at the border"

As an importer of premium handmade cigars from Cuba, Brazil and central America since 2010 and an owner of an online cigar store, below are the key issues of the above-mentioned proposed legislation will have on our business.

The 2018 federal budget states:

"Collecting tobacco duties and taxes at the border — From 1 July 2019, importers of tobacco will be required to pay all duty and tax liabilities upon importation. This is a change from the current system, where tobacco can be imported and stored in licensed warehouses prior to tax being paid. For tobacco products that are held in licensed warehouses at the commencement of the measure on 1 July 2019, transitional arrangements will apply, allowing eligible affected entities to pay the liability on the warehoused stock within 12 months"

These "eligible affected entities" which includes our company, will now have to provide the government a bank guarantee for the total duty payable for the tobacco products stored at a licenced bond warehouse in Sydney. Furthermore, and on top of the bank guarantee, pay the duty amount in twelve monthly instalments AND pay the entire GST payable on the duty in advance.

For example – you have \$1.2 million in duty owing end of June 2019.

You put down bank guarantee for that amount and agree to 12 equal payment of \$100,000 on top of bank guarantee that needs to stay in place for the entire 12 months.

The GST on that duty ie 10% of 1.2 million -\$120,000 needs to be paid come end of June also.

How can any small business afford to do that ? This measure will obliterate the cash flow needed to continue importing. The big tobacco companies, BATA, PML and ITA can afford to take up this measure and in fact will more than likely please them since it will eliminate the small importers who legally parallel import their product into Australia and offer it to their consumers at a better price.

In my discussion with the manager of our bond warehouse in Sydney (name available upon request), he has advised me that they have provided the government with a bank guarantee and have an insurance policy in place that covers the entire duty payable stored in their premises. In other words, the government is guaranteed of the duty if any "leakage or theft" occurs. By moving the onus of the guarantee from the licenced warehouse to the owner of the goods, the government is literally putting nails into the coffins of small tobacco importers.

Furthermore, this is a transitional period of only twelve months. If stock is in the warehouse by 30th June 2019, importers will only have the “luxury” of twelve months to do a Nature 30 and pay the duties and taxes, which is something our company has been doing and doing well since 2006. Why the need to get a bank guarantee and instalments?

At the very least, small importers should be exempted from this onerous and financially damaging proposal.

Another matter we would like to raise is the issue of permits:

The proposal states:

“Introducing a prohibited import control for tobacco — From 1 July 2019, permits will be required for all tobacco imports (except for tobacco imported by travellers within duty free limits).”

Our company welcomes such an initiative and urges the government to make it mandatory for every person intending to purchase tobacco products from overseas websites predominantly from online stores in the US, Asia and Europe, to get a permit to do so. No matter the quantity, volume or net weight of the consignment. This will ensure that the authorities here are aware of the impending arrival and can ensure the appropriate duties and taxes are imposed on the purchase. A plethora of cigar smokers in Australia have purchased cigars from off shore websites and have received their purchases without any duty or taxes being imposed. A simple search for cigar groups on Facebook will present you with all the evidence needed.

However, we believe an annual one-time permit should be granted to commercial entities who work in the industry just as the health department does when it comes to importing lighters and butane gas by registering with NICNAS and obtaining a permit for twelve months for a relatively nominal fee.

I would be more than happy to meet face to face or conduct phone conversations with the relevant authorities working on implementing these changes.

Yours Faithfully,

Naffa Arraf