

CUSTOMS CONTROLLED AREAS LICENSED MANUFACTURING AREAS (EXCISE)

Areas used for the manufacture of goods that are subject to excise duty – alcoholic beverages (beer, wine, spirits including ethyl alcohol), tobacco products, motor vehicle fuels, and some food preparations containing alcohol (as described in the Excise and Excise-equivalent Duties Table) – are required to be licensed as a Customs controlled area (CCA). This fact sheet covers many of the common questions asked by persons seeking to become involved in these operations.

WHAT AREAS ARE REQUIRED TO BE LICENSED BY CUSTOMS AS A CCA?

Section 10(a) of the Customs and Excise Act 1996 states that any area that is used for the manufacture of goods subject to excise duty—alcoholic beverages, tobacco products, motor vehicle fuels, and some food preparations containing alcohol, must be licensed by Customs as a CCA.

Refer also to Fact Sheet 18 – Customs controlled areas.

ARE ANY AREAS EXEMPT FROM THE REQUIREMENT TO BE LICENSED?

Any area within a person's private house or dwelling place that is used by that person to manufacture:

- » Tobacco:
 - › manufactured by a person aged 18 years or over, and
 - › that has been grown by that person on their own land on which the house or dwelling is located, and
 - › is exclusively for their own personal use and not for sale or other disposition to any other person, and

- › where the maximum quantity of tobacco manufactured in any year (ending 30 June) does not exceed 15 kilograms, or
- » Beer, wine, or spirits, exclusively for his or her own personal use and not for sale or other disposition to any other person.

Land where the private house or dwelling of the individual manufacturing bio fuels or bio fuel blends is located but only if and as long as the bio fuel or bio fuel blends are manufactured exclusively for the individual's personal use and not for sale or other disposition to any other person.

HOW DO I APPLY FOR A CCA LICENCE?

Your first approach should be to discuss with Customs the type of operation or business you are seeking to become involved in. Customs staff will be able to advise you of requirements for a business dealing with the manufacture or sale of goods subject to excise duty.

The licensing process begins with application being made on *Form 1 - Application for a Customs Controlled Area Licence* (this can be found on the Customs website www.customs.govt.nz).

Once the application form has been completed, it should be forwarded to the Customs office nearest to the locality that you intend to operate from. Accompanying the application form should be a diagrammatic plan of the area that you wish to operate from. The plan should show the location where excisable goods will be stored and/or manufactured.

Customs staff will arrange to visit the premises intended to be licensed and inspect these for overall security and suitability for the intended function.

GRANTING OF A CCA LICENCE

Once Customs consider that the proposed premises are satisfactory for their intended purpose/function, they will discuss your future obligations as the holder of a CCA licence (licensee). Customs will prepare a procedure statement or Alcohol Excise Plan which will detail any terms



and conditions of the licence, and will then issue a licence to operate a CCA. A security for future payment of excise duty may be requested by Customs.

IS THERE A LICENCE FEE PAYABLE?

There is no licence fee payable for premises that have been licensed expressly for the manufacture or off-site storage of excisable goods.

WHAT IF I CHOOSE NOT TO BECOME LICENSED?

It is an offence to operate without a CCA licence in circumstances where such a licence is required by law. In these circumstances, as per section 189 of the Customs and Excise Act 1996, failure to become licensed is punishable by a fine not exceeding \$5,000 in the case of any individual, or not exceeding \$10,000 in the case of a body corporate. Your liability to pay excise duty while unlicensed remains. There may also be additional excise duties applied to those excise duties that were unpaid prior to you becoming licensed.

WHICH GOODS ARE SUBJECT TO EXCISE DUTY?

All excisable product (tobacco products, alcoholic beverages, motor vehicle fuels and some food preparations containing alcohol) are subject to excise duty at varying rates. These rates may be found in the Excise and Excise-equivalent Duties Table, or at the rear of the Working Tariff Document of New Zealand, or on the Customs website www.customs.govt.nz.

The excise rates are subject to annual review.

HOW IS EXCISE DUTY COLLECTED AND PAID TO CUSTOMS?

The licensees of a CCA manufacturing excisable products are responsible for the payment of excise duty on all such goods leaving their premises or being consumed within them. In most instances, that excise duty is required to be returned to Customs on a monthly basis.

Excise entries are due no later than 15 working days from the end of the calendar month to which the entry relates.

Excise duty payments for tobacco products and motor vehicle fuels are due no later than 15 working days from the end of the calendar month in which the product was removed from or consumed within the CCA.

Excise duty payments for alcohol-based beverages and food preparations are due on the last working day of the month following the month in which they were removed from or consumed within the CCA.

For alcoholic beverages where the estimated annual excise liability does not exceed \$50,000, or \$100,000, the lodgement of excise entries and payment of excise duty may be made on an annual, or six monthly basis respectively. Please contact your nearest Customs office for full details.

WHAT HAPPENS IF I MANUFACTURE EXCISABLE GOODS ON BEHALF OF SOMEONE ELSE ONCE I AM LICENSED?

If you manufacture excisable goods on behalf of another person, you (the licensee) will become liable for the excise duty on those goods when they are removed from your premises for home consumption.

ARE THERE ANY INSTANCES WHEN EXCISE DUTY IS NOT PAYABLE?

These are the following exceptions where excise is not payable:

- » when the licensee delivers their excisable product directly for export to a place outside New Zealand.
- » when excisable product has been removed to an export warehouse or duty free shop licensed as a CCA with Customs.
- » when excisable product has been temporarily removed to another licensed CCA for a further

manufacturing process, eg bottling and blending and returned after this process to the original CCA.

- » when New Zealand manufactured alcohol is transferred to a CCA licensed for off-site storage in accordance with Regulation 6(a) of the Customs and Excise Regulations 1996. This is where the alcohol cannot be physically accommodated within the manufacturing area. Excise duty is payable when removed for home consumption from this location.
- » when legitimate manufacturing samples are taken for laboratory analysis or quality control testing.

It should be noted that public or general tasting samples, promotional giveaways, donations, free or bonus supplies are all subject to excise duty.

WHAT ARE THE REQUIREMENTS FOR EXPORTING EXCISABLE GOODS?

Commercial exports of excisable goods require an export entry to be lodged with Customs prior to export. Further information can be found on *Fact Sheet 6*. Your local Customs office may assist you in completing this entry initially after which the option of completing these entries online will be explained to you. Customs brokers are a further option available to you for submitting export entries. If you do not complete an export entry, you will not be able to export your goods. Where the free-on-board (FOB) value of the excisable goods being exported does not exceed \$1000, the export clearance may be made on an ECI in place of an export entry.

GRAPE WINE

It should be noted that New Zealand grape wine is a restricted export. Grape wine exporters will require a New Zealand Food Safety Authority Export Eligibility Statement from the Wine Export Certification Service (telephone 09 306 5552) prior to

exporting their wine. Samples not intended for sale overseas, or wine sold to an export warehouse or duty free shop, do not require an Export Eligibility Statement, as they are not covered by the export restriction.

Grape wine exporters may also require further documentation if exporting to Europe. It is suggested that you contact the Wine Export Certification Service (telephone 09 306 5552 or email wecs@nzwine.com for further information).

WHAT REQUIREMENTS ARE THERE FOR DETERMINING ALCOHOL STRENGTH IF I AM MANUFACTURING ALCOHOLIC BEVERAGES?

Whether you are distilling, brewing or fermenting alcoholic beverages, Customs requires that you determine the volume of alcohol by an approved scientific method. Approved methods are described in the Customs (Volume of Alcohol) Rules 2013. A copy of these rules can be found on the Customs website. You can also obtain a copy of these rules from your local Customs office.

Customs officers will inspect your premises and records periodically to determine if excise duty is being returned at the correct rates and amounts, and that you are carrying on your business in accordance with the conditions of your CCA licence.

CAN I SELL WINE, BEER, OR SPIRITS TO THE PUBLIC?

The New Zealand Customs Service does not administer the lawful requirements for who you may sell liquor to, or from where you may sell it. The sale of liquor to the public is administered by the Liquor Licensing Authority under the Sale of Liquor Act 1989. If you wish to sell liquor directly to the public, application may be made through your local government authority (City Council or similar).

WHAT RECORDS DO CUSTOMS REQUIRE?

Customs require you to keep records of all goods entering your CCA, being manufactured or consumed therein, and all goods leaving your premises. This includes all manufacturing, purchase and sales records as well as stocktake inventories.

Clear audit trails must exist in order that all processes may be audited by Customs.

All licensees are required to keep their records for a period of at least seven years.

CAN EXCISABLE GOODS BE STORED ELSEWHERE, OUTSIDE OF A CCA?

In general, manufactured goods subject to excise duty must be stored within the manufacturer's licensed CCA area. However, provision does exist for alcohol manufacturers to store their excess production within an "off-site" storage area licensed by Customs.

No provision exists for manufacturers to set up distribution warehouses that further delay the payment of excise duty. Once excisable product has been removed for home consumption from a licensed CCA, excise duty becomes due and payable.

FOR FURTHER INFORMATION

Contact your nearest office of the New Zealand Customs Service, visit the Customs website www.customs.govt.nz or call Customs on 0800 428 786 (0800 4 CUSTOMS).

