

Remissions

Operational Policy

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About this policy

Introduction

1. This policy outlines the conditions and criteria for remission of excise duty, excise equivalent duty and or tariff duty on excisable goods (alcohol) that suffer loss.

Related documents

2. Use this operational policy in conjunction with the following documents:

Document name	Document type
Arrange remission for loss of goods	Process and procedures
Authorise approved licensee for remission	Process and procedures
Withdraw approval for remission	Process and procedures
OPS PRO 25 Refunds and Remissions Procedure	OPS PRO
OPS PRO 64 Diplomatic Privilege	OPS PRO

Note: For relevant legislation links see the reference section at the end of this document.

Overview

1. The refunds provisions of the Customs and Excise Act 2018 (the Act) and related Regulations allow for legitimate refund and remission of duty whilst ensuring required conditions are met and controls on public monies are observed. If for imported goods, the application will be for remission of excise equivalent duty and may also cover import duty. If excise duty has been paid then the client should seek a refund rather than remission.
2. Applications for refunds or remissions are to be directed as follows:

If...	then it is handled by...
<ul style="list-style-type: none"> • An excise remission or refund for CCA licensed to manufacture or export as per sections 56(1)(a)(b) and (f) of the Act • A refund for a private individual's entry not entered by a broker (includes Chapter 9805 goods, bequeathed goods etc. that may have been entered by a 'Baggage' broker • A diplomatic alcohol or tobacco excise entry • A diplomatic fuel entry (petrol only). 	<p>the relevant Customs Officer, Service Delivery (Customs Officer, Senior Customs Officer, District Port Officer or ACO Auckland)</p> <p>Wellington New Plymouth.</p>

If...	then it is handled by...
Another type of refund or remission	nearest Trade Assurance section.

3. An applicant may apply to Customs for remission of duty on excisable goods which are subject to the control of Customs when the goods are found to be:
- damaged or deteriorated in condition ([regulation 60](#))
 - destroyed, pillaged or lost ([regulation 61](#))
 - of faulty manufacture ([regulation 63](#))
 - diminished in valued while stored in an export warehouse ([regulation 62](#)).

Note: There are generic criteria and specific requirements for each category or type of remission. See OPS PRO 025 for details.

4. There are two possible methods for a licensee to achieve a remission of excise duty, excise-equivalent duty and or tariff duty, as shown in the table below:

Table: Methods for remission

Method	Who uses this method	Covers remission of
Submit a manual application to Customs NZCS 248	<ul style="list-style-type: none"> • CCA licensee • Importer/broker • Approved Licensees for remission (for some types of remissions) 	Excise duty, excise equivalent duty or tariff duty on locally manufactured or imported goods.
Reconcile certain types of remission in the licensee's own business records	A Licensed Manufacturing Area (LMA) CCA licensee who has been approved by Customs i.e. is an Approved Licensee for remission	Excise duty on locally manufactured alcohol or tobacco product.

Applications for remission

6. An application for remission must be made on [Form NZCS 248](#). It can be submitted at any time after the damage or loss occurs.

Destruction or disposal of goods

7. Certain sections of the Act and Regulations require goods to be destroyed or disposed of before a full refund or remission can be approved. This means either:
- a) destroyed under Customs' supervision in accordance with any direction of the chief executive. Supervision may involve the Customs officer being physically present and witnessing all or part of the destruction. Alternatively, supervision might involve providing instructions for destruction, and then later reviewing the evidence such as photographs, sealed tops of destroyed bottles, or transport and destruction receipts.

- b) destroyed by an Approved Licensee who must maintain business records which verify that the goods met the relevant criteria (see paragraph 16 below).
8. When an application is received, and the goods are required to be destroyed or disposed of (paragraph 10(a) refers) the Customs officer holding the relevant delegation approves destruction, and supervises the destruction and/or disposal if required.

Extent of remission

9. For licensees, importers/brokers who make an application for remission, full remission or refund can only be granted for goods which suffer loss (to which a remission applies), when those goods are destroyed under the supervision of a Customs officer.
10. Approved Licensees may include full remission in their business records other than for goods which are diminished in value or of faulty manufacture (see paragraph 17). For those categories of loss, a full remission can only be granted when the goods are destroyed under the supervision of a Customs officer. (See paragraph 23)

Approved Licensee

11. A Licensed Manufacturing Area (LMA) licensee who wishes to be approved to reconcile remissions in their business records must apply in writing (by email or letter) to Customs.
12. Customs will assess the licensee's business records and systems (Regulation 59) to determine if they are adequate and effective for recording and verifying the nature and timing of the loss, and subsequent destruction (Regulation 60 (3) (d), Regulation 63 (3) (d), [section 145](#)). Business records and systems includes: hardware, software, infrastructure, trained personnel, business practices and physical and digital records. See paragraph 19 for factors that the licensee's business records and systems needs to be able to adequately capture.
13. The approval to reconcile remissions in their business records and include them in their excise entry is specified in the licensee's procedure statement or excise plan ([regulation 59](#)).
14. Approved licensees are able to reconcile their remission within their records for full and partial remission in relation to goods that either have been damaged, deteriorated in condition, destroyed, pillaged, or lost, or faulty manufactured (regulations 60, 61 and 63). While it is only specified within regulations 60 and 63 that Approved Licensees can reconcile their remission within their records for goods that have either been damaged, deteriorated in condition, or faulty in manufacture, [section 145](#) of the Act provides Customs with considerable discretion when granting remission. When exercising that discretion, Customs can consider whether a licensee is approved under [section 60](#) and [section 63](#) to determine whether Customs is satisfied that remission should be granted.

Requirements of an Approved Licensee

15. An Approved Licensee may reconcile remissions in their business records for goods which were subject to the control of Customs when they were found to be:
- damaged or deteriorated in condition ([regulation 60](#))

- destroyed, pillaged or lost ([regulation 61](#))
 - of faulty manufacture ([regulation 63](#)).
16. When loss of goods occurs, an Approved Licensee must determine if the loss is eligible for remission, with reference to [section 145](#) of the Customs and Excise Act and the relevant regulation (60, 61 or 63); and if so may destroy the goods (see paragraph 10).
17. An application for remission (see paragraph 6) must be made to Customs for:
- goods that have diminished in value while stored in an export warehouse
 - goods identified as being of faulty manufacture after release from the control of Customs, for which the fault occurred prior to release, and have been returned to the licensed manufacturing area
 - goods that have been released from the control of Customs.
18. The licensee must keep, and be able to produce business records which:
- verify (according to regulation 60 (3) (d), regulation 63 (3) (d), and [section 145](#) of the Act):
 - the type of loss; and that it occurred while the goods were subject to the control of Customs
 - that the goods were destroyed while subject to the control of Customs.
 - capture details about:
 - the occurrence, including how it occurred, the date, time, staff involved and any other relevant details
 - the destruction, including date, time, method, third party involvement if relevant.
19. An Approved Licensee must enter details of any remissions included, in accordance with regulations 60, 61 and 63 and Customs Rules, in their excise entry for the relevant period. The Rules require that they provide in either the C6 form 'Remarks' field or the 'Remarks' field in Schedule 2, Trade Single Window (TSW) the following:
- a) the total value of the remission(s) for the entry period i.e. the amount of excise duty to be remitted,
 - b) a description of the remission(s) with reference to regulations 60, 61 and/or 63, and
 - c) the total volume of losses by litre for the entry period.

Receipt of excise entry

20. Excise entries from Approved Licensees which include details about remission (included in the Remarks field, on a C6 or a TSW Schedule 2 form) must be entered into CusMod. Customs officers can check remissions included in excise entries and validate them with the client.

Audit of remissions reconciled in excise entries

21. If an Approved Licensee who has included remissions in their excise entry is subsequently audited and the remission is found not to meet the criteria for remission in [section 145](#) and/or regulations 60, 61, 63 then Customs can ask for further evidence. If this evidence is not satisfactory then duty will be payable and penalties will apply.

Withdrawal of approval for licensee to reconcile remissions in their business records

22. If Customs is no longer satisfied that the licensee meets the requirements to be an Approved Licensee (refer paragraph 18), then approval for a licensee to reconcile remissions in their business records may be withdrawn. This can be implemented by writing to the licensee and amending their AEP.

Extent of remission – for Approved Licensees

23. Full remission can only be granted to Approved Licensees for goods which are identified as of faulty manufacture after leaving the control of Customs, if an application (see paragraph 6) is made and the goods are destroyed under Customs supervision (see paragraph 10).

Customs and Excise Act 2018:

- Section 56 Customs controlled areas
- Section 60 Fit and proper person test
- Section 67 Exemptions in relation to Customs-controlled areas
- Section 63 Variation or revocation of conditions
- Section 145 Other refunds and remissions of duty

Customs and Excise Regulations 1996:

- [Regulation 60](#) Goods damaged or deteriorated in condition
- [Regulation 61](#) Goods destroyed, pillaged or lost
- [Regulation 62](#) Goods diminished in value
- [Regulation 63](#) Goods of faulty manufacture.

Definitions

Term	Definition
Approved Licensee	A Licensed Manufacturing Area (LMA) licensee who is approved under Part 8 of the Customs and Excise Regulations 1996 to reconcile certain types of remissions for locally manufactured alcohol or tobacco product in their business records, and to include them in their excise entry, rather than submitting an application.