

SECOND READING SPEECH

EXCISE TARIFF (2015 BUDGET)(AMENDMENT) BILL 2014

MR SPEAKER,

THE BILL PROPOSES:

1. THIS AMENDMENT WILL CHANGE THE BASIS OF MEASUREMENT TO A SPECIFIC FIXED RATE OF 5 PER CENT EVERY SIX MONTHS.
2. THIS AMENDMENT WILL INTRODUCE TWO NEW TARIFF ITEM TO CATER FOR THE MISCLASSIFIED CIGARETTES: THIS AMENDMENT WILL NOT CHANGE THE CURRENT RATES APPLYING TO THESE ITEMS. THE AMENDMENT IS INTENDED TO CLARIFY THE CURRENT PRACTICE TO ENSURE THESE TOBACCO PRODUCTS ARE CAPTURED IN THEIR OWN TARIFF ITEM REFLECTING THEIR DESCRIPTION

MR SPEAKER, I COMMEND THE BILL

EXPLANATORY MEMORANDUM
Excise Tariff (2015 Budget)(Amendment) Bill 2014

The Bill proposes:

To Increase the tobacco excise six monthly adjustments to fixed rate of 5 per cent. The Government recognises the health risks associated with smoking and the costs that this imposes on the health system and the broader community. In recognition of this and with a view to discouraging consumption, tobacco products are subject to excise duties.

It is important that the real value of these excise duties is maintained over time. However, indexation based on the consumer price index (CPI) has not always been effective given challenges in the CPI measurement.

The amendment will change the basis of measurement to a specific fixed rate of 5 per cent every six months.

The bill also introduces two new tariff items to cater for misclassified cigarettes. Currently, there is no tariff item in the PNG Customs Harmonised System (HS) to cater for cigarettes such as the Pall Mall and other manufactured cigarettes with filter containing tobacco other than dark fired tobacco; and to cater for cigarettes without filter containing tobacco and or other tobacco substitutes containing dark fired tobacco.

The bill introduces new tariff items which will ensure that cigarettes are correctly classified under the new tariff item 2402.20.40 and 2402.20.50 reflecting their descriptions. The excise rate of this tariff items will be consistent with the current practice. This means in 1 December 2014, the excise rate of cigarettes will be the K261.51 per 1000 sticks indexed to the newly introduced 5% nominal increase biannually for tobacco



No: of 2014.

Excise Tariff (2015 Budget)(Amendment) Bill 2014.

ARRANGEMENT OF CLAUSE.

Excise Tariff (Amendment of Schedule 1 –Duties On Excise).



A BILL

for

AN ACT

entitled

Excise Tariff (2015 Budget)(Amendment) Act, 2014,Being an Act to amend the ***Excise Tariff Act*** (Chapter 107),

MADE by the National Parliament and to come into operation on 30 November 2014.

EXCISE TARIFF (AMENDMENT OF SCHEDULE 1 – DUTIES ON EXCISE).

Schedule 1 of the Principal Act is amended by repealing the tariff item, description of goods and rates of excise duty and remarks shown in the following and replacing them with the tariff item, description of goods and rates of excise duty and remarks shown below:

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Tariff Item	Description	Duty Rate from 1 Dec 2014	Remarks
2402.10.00	Cigars, cheroots and cigarillos containing tobacco	K261.51 Per Kg	The duty rate for tobacco products is adjusted at 6 monthly intervals, on 31st of May and 30th November each year. The adjustment is calculated by multiplying the duty rate then applicable, by a fixed percentage amount of 5%. The adjustment as calculated is added to the duty rate then applicable, to give the new duty rate. The new duty rate after each adjustment will replace the previous duty
2402.20.10	Cigarettes of dark fired tobacco without filter (Spear and the like)	K261.51 Per Thousand sticks	
2402.20.20	Cigarettes of dark fired tobacco with filter (Spear or equivalent)	K130.77 Per Thousand sticks	

Tariff Item	Description	Duty Rate from 1 Dec 2014	Remarks
2402.20.30	Cigarettes of tobacco or tobacco substitutes with filter, containing dark fired tobacco (Spear or equivalent)	K163.15 Per Thousand sticks	rate and will apply from the first day of the next month ie. from 1st June and 1st December.
2402.20.40	Cigarettes of tobacco or tobacco substitutes with filter containing tobacco other than dark fired tobacco	K261.51 per Thousand sticks	<p>The duty rate for tobacco products is adjusted at 6 monthly intervals, on 31st of May and 30th November each year.</p> <p>The adjustment is calculated by multiplying the duty rate then applicable, by a fixed percentage amount of 5%. The adjustment as calculated is added to the duty rate then applicable, to give the new duty rate. The new duty rate after each adjustment will replace the previous duty rate and will apply from the first day of the next month, that is, from 1st June and 1st December.</p>
2402.20.50	Cigarettes of tobacco or tobacco substitutes without filter containing dark fired tobacco (spear or equivalent)	K261.51 per Thousand sticks	
2403.11.10	Smoking tobacco, whether or not containing tobacco substitutes in any proportion	K87.20 Per Kg	
2403.11.30	Chewing tobacco	K87.20 Per Kg	
2403.11.40	Snuff	K87.20 Per Kg	
2403.11.50	Twist or trade tobacco	K87.20 Per Kg	
2403.11.60	Stick tobacco	K87.20 Per Kg	
2403.11.70	Coarse Shredded Tobacco for Roll Your Own Cigarettes	K42.15 Per Kg	
2403.91.00	"Homogenised" or "reconstituted" tobacco	K121.11 Per Kg	
2403.99.00	Other	K87.20 Per Kg	