

# Use of off-site storage – alcohol

## Operational Policy

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## About this policy

### Introduction

1. This policy outlines the conditions and criteria for:
  - licensing an area for off-site storage (OSS)
  - authorising the removal of specified alcohol product from the licensed manufacturing area (LMA) to a Customs-controlled area (CCA) licensed for off-site storage.
2. It covers applications by LMAs and first owners for licensing their own OSS or using third party licensed OSS, the use of temporary permits for unlicensed sites, responsibilities for entry and payment, and for goods moving between CCAs.

### Related documents

3. Use this document in conjunction with the following documents:

Document name	Document type
Authorise use of off-site storage - alcohol	Process and procedures
Issue CCA licence – alcohol	Process and procedures
Amend CCA licence – alcohol	Process and procedures
052 Manufacture of Excisable Goods Procedure	OPS PRO

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

### Overview

4. When specified alcohol products cannot be physically accommodated within the LMA where they are manufactured, products can be moved excise-unpaid to an OSSCCA. Licensees of LMAs and first owners can apply to license an area for OSS, or apply to use third party OSS. Third parties can also apply to license an area for OSS provided the need for additional storage can be demonstrated.
5. Customs can authorise OSS subject to terms, conditions, or restrictions.
6. Once approved, authorisation to use the OSS site(s) specified in the alcohol excise plan (AEP) is on-going.
7. If ongoing authorisation is not required, a permit to move product to an OSS CCA can be issued. In some circumstances, there may be instances where goods are required to be stored in a place other than an OSS. A permit may be issued (see details in OPS PRO 052).
8. In principle, off-site storage of alcohol is for finished product, usually bottled and labelled. Applications for off-site storage of bulk alcohol, for example wine in barrels or beer undergoing aging, can be granted provided it cannot be accommodated in the LMA where it is being manufactured.

## Who can apply for OSS

9. The table in Appendix 1 sets out who can apply to license an area, or to use third party OSS.

The following guidelines apply in regard to who can use an OSS area.

- It is not Customs' intention to force significant additional storage costs onto licensees and unlicensed first owners.
- Where there is more than one LMA involved in the manufacture of the alcohol, the first LMA where manufacture takes place is considered to be the manufacturer. Subsequent manufacturing processes are treated as temporary removals from the first LMA.
- When the first owner of the alcohol is not licensed, Customs has discretion to authorise OSS if leaving product in storage at the final LMA or returning it to the first LMA would mean additional costs for the first owner. In this case, one LMA in the manufacturing chain must sign the NZCS 247 to declare insufficient storage space.

## Applications to license a CCA for OSS

### General requirements

10. Authorisation to licence an area for OSS is a discretionary power under [section 61](#) of the Customs and Excise Act 2018.
11. An application to licence an area for OSS follows the normal CCA licensing process, and may be:
- for an area remote from the LMA on a separate legal title, by an LMA or first owner
  - for an independent storage site by an independent third party storage owner/operator
  - for an area within an LMA to be used solely as third party storage.
12. A CCA licence for OSS is based on there being insufficient storage space at the manufacturing LMA. Applications must demonstrate a need for OSS. They must submit form NZCS 247 with their CCA application. This form contains a declaration by the manufacturer that product cannot be physically accommodated at the LMA and must be signed by the manufacturing LMA.
13. The storage site can be located anywhere in New Zealand.
14. If the Customs officer processing the application for OSS is not familiar with the LMA, a site visit and any other evidence should be considered to assess the storage capacity and confirm there is a genuine requirement for OSS.
15. In cases where a site visit is required but not immediately practicable and the requirement for storage is urgent, a temporary permit can be issued. The site visit and assessment must be made as soon as possible.
16. The business records and tracking systems must be adequate for the accurate monitoring and audit of stock volumes and movement across both CCAs.
17. Any risks to the collection of excise duty associated with the parties or sites must be identified and control measures put in place. Any terms and conditions associated with this must be recorded in the excise plan issued with the OSS CCA licence.

## OSS for an LMA

18. If the site is on the same legal title as the LMA, the site plan in the AEP can be updated to include the area without further authorisations.
19. Once a remote area is licensed for OSS, the authorisation to use OSS and the authorisation to move goods to this area are recorded in the AEP.
20. Note that an area within an LMA licensed for OSS is for third party storage only and cannot be used by the LMA for their own product. In cases where the licensee wants to retrieve space from the OSS for their own product, they need to provide updated LMA and OSS site plans so the AEPs can be amended accordingly. Where contractual arrangements with existing tenants may prevent this, the LMA should contact Customs to seek an alternative solution e.g. temporary or OSS storage elsewhere. In general, LMAs who are in a position to offer OSS to other parties should not require OSS for themselves.

## Third party OSS

21. Third party storage may be located in an area remote from the LMA and specifically licensed as OSS, or can be capacity in an LMA licensed for the storage of other LMAs' products. In both cases, a site plan is required.
22. Third party OSS licensees will be issued with an OSS AEP which will record their on-going authorisation to store product on behalf of named LMA licensees or first owners.
23. When an LMA provides OSS to other LMAs or first owners, the following apply:
  - the area to be used as storage must be licensed as OSS.
  - the area must be clearly defined.
  - only products belonging to the other licensees or an unlicensed first owner can be stored in the area.
  - the licensee offering storage must keep records of the OSS separately from their LMA records.
  - the party responsible for entry and payment of excise duty must be named in the AEP.

## Applications to use OSS

### General requirements

24. Applications to use OSS can be granted when all of the following conditions are met:
  - the applicant can demonstrate genuine inadequacy of storage space at the LMA.
  - the proposed storage location is a CCA licensed for off-site storage.
  - the LMA can demonstrate adequate systems for tracking goods movement – see paragraph 30 for the tracking conditions to be recorded in the authorisation.
25. When an application is refused, the LMA licensee or first owner must be advised in writing of the reasons for the decision. They can appeal the decision to refuse their application to the Customs Appeal Authority.

## Applications by licensees of LMAs to use third party storage

26. Authorisation to use a specific OSS site for specified alcohol product and to move goods to this OSS excise-unpaid must be recorded in the LMA's AEP with the following conditions:
- the licensee must keep a register with the following information for every movement of specified alcohol product:
    - The name and address of the CCA to which the product is being moved
    - The date the product is moved
    - The name of the carrier who is uplifting the product and any relevant consignment notes
    - The date the product is received at the destination CCA
    - The number (or volume) and type of specified alcohol product moved.
  - the party responsible for entry and payment of excise duty if product is consumed or removed for home consumption must be named in the AEP – see paragraph 41.

## Applications by first owners to use third party storage

27. Unlicensed first owners who want to use third party OSS must submit the form NZCS 247 signed by the LMA that manufactured their alcohol under contract. The OSS AEP for the third party must be updated with authorisation to store the unlicensed owner's product.
28. In cases where the product is moved to another LMA(s) to complete the manufacturing processes such as contract bottling and labelling, then the first owner can apply to use third party OSS provided the original manufacturing LMA can declare insufficient storage capacity.
29. First owners who have CCAs licensed for OSS (Licensed first owners) will already have the authorisation to store their own product recorded in their AEP. The inability of the LMA to store the product will have been assessed when the licence was applied for.

## Updating AEPs

30. The table below sets out the requirements for updating AEPs when a client is authorised to use OSS. All updated AEPs must be uploaded to TSW.

Client	OSS owned by	AEP updates
LMA	LMA	LMA's AEP: <ul style="list-style-type: none"> <li>• Authorisation to use OSS. AEP is updated when application to licence a site is processed.</li> </ul>

Client	OSS owned by	AEP updates
LMA	Third party	<p>LMA's AEP:</p> <ul style="list-style-type: none"> <li>• Authorisation to move goods to OSS</li> <li>• Authorisation to use OSS</li> <li>• Party responsible for paying excise</li> </ul> <p>Storage Provider's AEP:</p> <ul style="list-style-type: none"> <li>• LMA added to the list of entities for whom storage is authorised.</li> </ul>
Licensed First Owner	First Owner	<p>First owner's AEP:</p> <ul style="list-style-type: none"> <li>• Authorisation to use OSS. AEP is drafted when application to licence a site is processed.</li> </ul> <p>LMA from whom goods are removed for OSS:</p> <ul style="list-style-type: none"> <li>• Authorisation to move goods to OSS if not already authorised.</li> </ul>
Unlicensed First Owner	Third party	<p>Storage Provider's AEP:</p> <ul style="list-style-type: none"> <li>• First owner added to the list of entities for whom storage is authorised</li> </ul> <p>LMA from whom goods are removed for OSS:</p> <ul style="list-style-type: none"> <li>• Authorisation to move goods to OSS if not already authorised.</li> </ul>

### Responsibility for goods, entry and payment

31. Specified alcohol product that is being moved to OSS remains subject to the control of Customs. The issuing LMA is responsible for the product until it is receipted at the OSS. At this point it becomes the responsibility of the licensee of the CCA.
32. If goods are removed for home consumption from the OSS or consumed before removal from the OSS, ownership of the goods determines who makes excise entry and payment of duty.

If the goods are owned by the...	in an OSS owned by...	then on removal from the OSS the...
LMA licensee or licensed first owner	LMA	LMA licensee makes the entry and pays the excise.
LMA licensee	Third party	LMA licensee makes the entry and pays the excise.
Licensed first owner	First owner	licensed first owner makes the entry and pays the excise.
Unlicensed first	Third party	licensee of the off-site storage CCA makes the

If the goods are owned by the...	in an OSS owned by...	then on removal from the OSS the...
owner		entry. They may also collect and pay the excise on behalf of the owner depending on their storage contract, but the unlicensed first owner is liable for payment of the duty.

### Duty credits and remissions

33. Duty credits and remissions cannot be claimed by licensees of off-site storage areas in their excise entries.
34. The LMA licensee, if an Approved Licensee and noted in their AEP, can reconcile certain types of remission in their business records for losses of product in OSS. See operational policy: Remissions. If an excise client is not an approved licensee for remissions then, they must make an application for remission.

### Definitions

Term	Definition
Alcohol Excise Plan (AEP)	A document that details the terms, conditions or restrictions of the licence. It also includes approvals, authorisations, guidelines and a site plan of the CCA.
First Owner	<p>Owner of the alcohol label where they are not also the manufacturer of the alcohol.</p> <p><b>Example:</b> A vineyard grows grapes or sources grape juice and then contracts an independent facility to manufacture and bottle the wine from their grapes or grape juice. The same applies to a person who contracts a brewer to make beer on their behalf.</p> <p>First owners may be:</p> <ul style="list-style-type: none"> <li>• CCA licence holders– they own a CCA licensed for off-site storage.</li> <li>• unlicensed – they use a third party OSS CCA.</li> </ul>
Off-site storage (OSS)	<p>An area which is licensed under <a href="#">regulation 6(a)</a> of the Regulations pursuant to <a href="#">section 56(1)(f)</a> of the Act.</p> <p>This means a CCA licensed to store specified alcohol product excise-unpaid that is remote from the LMA where the alcohol product was manufactured.</p>
Specified alcoholic product	Specified alcoholic product means the goods specified in items 99.10 to 99.50 of Part A of the <a href="#">Excise and Excise-equivalent Duties Table</a> .

## References

### Customs and Excise Act 2018:

- Section 56 Areas required to be licensed as a Customs-controlled Area
- Section 57 Application for licence
- Section 59 Chief executive must determine application (fit and proper person)
- Section 61 Grant or refusal of licence
- Section 63 Variation of term, condition or restriction
- Section 64 Revocation or suspension of licence
- Section 81 Entry of Part A goods
- Section 82 Nil Returns
- Section 85 Removal of goods from a Customs-controlled Area
- Section 235 Temporary removal of goods from a Customs-controlled Area
- Section 241 New securities may be required
- Section 405 Regulations in relation to entries
- Schedule 3, clause 3 Removal for home consumption
- Schedule 3, clause 2 Excise duty is a debt owed to the Crown

### Customs and Excise Regulations 1996:

- Regulation 2 Interpretation
- Regulation 6 Areas required to be licensed as Customs-controlled Areas
- Regulation 52A Circumstances in which entry to be made by owner
- Regulation 56 Certain goods removed from Customs-controlled Area exempt from entry
- Regulation 57 Payment of excise duty
- Regulation 58 Duty credits
- Regulation 77 Securities for payment of duty

### Customs Rules

- Customs (Excisable Goods Entry) Rules 2018
- Customs (Nil Returns) Rules 2018



## Appendix 1: Who can apply to licence an area for off-site storage or to use third party OSS

Applicant	Scenario	Apply for OSS?	Notes
LMA licensee manufacturing own product, no contract manufacture	Insufficient storage at own LMA	Yes	
LMA licensee manufacturing own product, outsourcing partial manufacture to other LMA under contract (e.g. bottling)	Insufficient storage at own LMA Insufficient storage at contract LMA	Yes	
LMA licensee manufacturing own product, outsourcing partial manufacture to other LMA under contract (e.g. bottling)	Sufficient storage at own LMA Insufficient storage at contract LMA	No	Contract manufacturing process treated as a temporary removal from the first LMA, must use own storage space.
LMA licensee manufacturing own product, outsourcing partial manufacture to other LMA under contract (e.g. bottling)	Insufficient storage at own LMA Sufficient storage at contract LMA	Yes	The first LMA is treated as the manufacturer with regards to the Regulations, and the outsourced manufacture is treated as a temporary removal. Note: the LMA licensee can use the contract LMA's storage without further applications.

Applicant	Scenario	Apply for OSS?	Notes
LMA licensee manufacturing own product, outsourcing partial manufacture to other LMA under contract (e.g. bottling)	Insufficient storage at own LMA Insufficient storage at contract LMA Contract LMA has OSS available	Yes	The contract LMA's OSS is considered 3rd party OSS; the first LMA is not obliged to use it in preference to any other 3rd party storage, or to getting their own area licensed. First LMA licensee must apply to use OSS if they want to use the Contract LMA's OSS.
Unlicensed first owner's alcohol manufactured at a single LMA.	Sufficient storage at LMA	No	Must use storage available at LMA
Unlicensed first owner's alcohol manufactured at a single LMA.	Insufficient storage at LMA	Yes	
Unlicensed first owner's alcohol manufactured at multiple LMAs.	Insufficient storage at first LMA Insufficient storage at subsequent LMAs	Yes	
Unlicensed first owner's alcohol manufactured at multiple LMAs.	Sufficient storage at first LMA Insufficient storage at subsequent LMAs	No	The first LMA is treated as the manufacturer with regards to the Regulations, and subsequent LMA(s) as temporary removal. Must use the storage at the first LMA.

Applicant	Scenario	Apply for OSS?	Notes
Unlicensed first owner's alcohol manufactured at multiple LMAs.	First LMA has insufficient storage Subsequent LMA has sufficient storage	Discretionary	<p>The first LMA is treated as the manufacturer with regards to the Regulations, and subsequent manufacture is treated as a temporary removal.</p> <p><b>Note:</b> the first owner can use the subsequent LMA's storage without further applications</p> <p>Discretionary approval for OSS may be given, see paragraph 9.</p>