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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

CUSTOMS TARIFF AMENDMENT BILL 1992

EXPLANATORY MEMORANDUM

(Circulated by the Authority of the  
Minister for Industry, Technology and Commerce,  
Senator the Honourable John N Button)

CUSTOMS TARIFF AMENDMENT BILL 1992

NOTES ON SECTIONS

A Bill for an Act to amend the Customs Tariff Act 1987

Section 1 - Citation - Customs Tariff Amendment Act 1992

Section 2 - Date of Commencement

Sections 1 and 2 - Date of Royal Assent

Section 4 - 1 July 1992

Section 6 - 1 July 1990

Section 7 - 1 January 1991

Section 8 - 12 March 1991

Section 9 - 1 October 1991

Section 10 - 1 January 1992

Section 11 - 1 March 1992

Section 12 - 1 April 1992

Section 13 - 1 July 1992

Sections 5 and 14 - 14 days after the Royal Assent

Sections 3 and 15 - on a day to be proclaimed which is to be the same day as proclaimed for the commencement of the Customs Legislation (Tariff Concessions and Anti-Dumping) Bill 1992, to which these sections refer

Section 3 - Provides that the amendment shall operate on and from a day to be fixed by Proclamation, currently expected in September/October 1992

. Covers - subsection 11(3) of the Principal Act contains certain definitions used in the Customs Act 1901 for the purpose of issuing Tariff Concession Orders. Consequential on definitional changes to be effected to Part XVA of the Customs Act 1901 by Clause 10 of the Customs Legislation (Tariff Concessions and Anti-Dumping) Bill 1992, new definitions will be inserted in the Principal Act to ensure continuing parity between the two Acts; and

- subsection 11(4) is inserted to ensure the new definitions continue to apply to arrangements in place prior to the amendments of the Customs Act 1901 discussed above, which are to commence in September/October 1992

Section 4 - Provides that the amendment shall operate on and from 1 July 1992

- . Covers - subsection 19(1C) of the Principal Act permits the phasing out of the Developing Country rate of duty for Hong Kong, Republic of Korea, Singapore and Taiwan Province where a Developing Country ad valorem rate of duty exists on 1 July 1992. This provision covers all but approximately 50 tariff items for which composite or fixed rates of duty are operative on 1 July. These amendments will allow the legislation of rates of duty for these four countries for the affected tariff items and, in future, where new tariff classifications are created after 1 July 1992.

Section 5 - Provides that this amendment shall commence 14 days after this Bill receives the Royal Assent

- . Covers - section 26 of the Principal Act contains a Table of tariff subheadings and their excise tariff equivalents which are subject to half-yearly Consumer Price Index adjustments. In Act 187 of 1991 the excise equivalent duty was removed from denatured ethyl alcohol of subheading 2207.20.00. It is now not subject to Consumer Price Index adjustments. This amendment removes subheading 2207.20.00 and its excise tariff equivalent 2(O) from that Table.

Section 6 - Provides that the amendments in Schedule 1 shall operate on and from 1 July 1990

- . Covers - Australia's obligations under the 1988 Closer Economic Relations Protocol on the Acceleration of Free Trade in Goods with New Zealand were to phase out protective Customs duty on goods of New Zealand origin. This amendment removes the Customs duty element from the New Zealand rate of duty for tobacco products of Chapter 24.

## **CUSTOMS TARIFF AMENDMENT BILL 1992**

### **General Outline**

The purpose of this Bill, which will include 10 Schedules, is to enact a range of changes to the Customs Tariff Act 1987.

Section 3 contains the following amendments:

- (i) consequential change of subsection 11(3) of the Principal Act as a result of amendments to Part XVA of the Customs Act 1901; and
- (ii) insertion of new subsection 11(4), in the Principal Act, as a result of amendments to Part XVA of the Customs Act 1901.

Section 4 contains the following amendment:

- (i) an administrative requirement to allow rates of duty to be specified for goods of Hong Kong, Republic of Korea, Singapore and Taiwan Province origin.

Section 5 contains the following amendment:

- (i) omits from the Table in section 26 of the Principal Act a tariff subheading which is no longer subject to half-yearly Consumer Price Index adjustments.

Schedule 1 contains the following amendments:

- (i) removes the Customs duty component from the New Zealand rate of duty on certain tobacco products in Chapter 24.

Schedule 2 contains the following amendment:

- (i) amends item 41A in Part III of Schedule 4 to allow vehicle component manufacturers to directly use credits which they earn under the Export Facilitation Scheme.

Schedule 3 contains the following amendment:

- (i) inserts item 56 in Part III of Schedule 4 to allow the duty free importation of "State of the Art" capital equipment.

Schedule 4 contains the following amendments:

- (i) amends item 31 in Part II of Schedule 4 to widen the scope of the aircraft parts concession;
- (ii) cancels the sunset clause in item 36B in Part III of Schedule 4;

- (iii) inserts item 57 in Part III of Schedule 4 to allow the duty free importation of certain goods used as inputs in the Chemicals, Plastics, and Book Binding and Allied Industries; and
- (iv) inserts item 58 in Part III of Schedule 4 to allow general purpose components and materials used in the manufacture and repair of invalid carriages to be imported duty free.

Schedule 5 contains the following amendments:

- (i) amends the designation of certain countries and places which qualify for Developing Country preference;
- (ii) redefines the upper weight limit for light commercial vehicles from 2.72 t to 3.5 t;
- (iii) amends the definition of off-road and passenger motor vehicles and restructures tariff headings 8407, 8408, 8702, 8703, 8704, 8706, 8707 and 8708;
- (iv) changes to the Table to item 36B in Part III of Schedule 4 to remove duty free subheadings; and
- (v) creates item 40G in Part III of Schedule 4 to provide a duty free rate for textile orthopaedic goods excluded from Chapter 90 by sub-Note 1(b) to that Chapter.

Schedule 6 contains the following amendments:

- (i) redesignates certain countries and places which qualify for Developing Country preference;
- (ii) amends the footwear priceline from \$1.50/pair to \$1.70/pair for 7 subheadings in Chapter 64 and subitem 21V in Schedule 5;
- (iii) puts in place the tender quota and tender extension rates for textiles, clothing and footwear goods for the period 1 March 1992 to 28 February 1993; and
- (iv) rewords item 40G in Part III of Schedule 4 to remove anomalies in the original text.

Schedule 7 contains the following amendment:

- (i) amends Additional sub-Note 4(e) to Chapter 87.

Schedule 8 contains the following amendments:

- (i) inserts phasing rates of duty for certain vegetable products;
- (ii) inserts phasing rates of duty for goods now not considered to be components of passenger motor vehicles;
- (iii) redrafts subheading 8703 resulting from changes to the duty treatment of used or secondhand passenger motor vehicles;
- (iv) restructures headings 8702, 8703 and 8704 to combine subheadings with the same rates of duty as at 1 July 1992;
- (v) inserts a new tariff rate structure to accommodate "short pack" bicycles;
- (vi) reduces the rate of duty on certain flat-rolled, cold-rolled, and clad, plated or coated steel from 10% to 5%;
- (vii) omits item 10 in Part I of Schedule 4 following the decision by Australia and New Zealand to remove the margins of preference accorded goods imported by Member States under CER; and
- (viii) inserts item 59 in Part III of Schedule 4 to allow certain used or secondhand vehicles to be imported at 35% ad valorem duty.

Schedule 9 contains the following amendments:

- (i) two consequential administrative changes to Chapter Notes as the result of previous Customs Tariff Amendment Acts;
- (ii) inserts Additional Notes 2, 3 and 4 in Section XVI; and
- (iii) inserts Additional Note 3 in Chapter 84.

Schedule 10 contains the following amendments:

- (i) amends certain items in Schedule 4 as a consequence of amendments of the Customs Act 1901, dealing with Tariff Concession Orders.

## FINANCIAL STATEMENT

The loss of revenue involved in the initiatives to allow "State of the Art" capital equipment, and raw materials and intermediate goods as inputs for industry is very difficult to estimate. However, the loss of revenue will be totally offset by the impetus given to local manufacturers by the lower cost of these imports.

The broadening of the provisions for the importation of aircraft parts is expected to produce a loss of revenue in 1992/93 of \$10 million, \$11 million in 1993/94 and \$12 million in 1994/95.

The additional duty expected to be collected from changes to the definitions of off-road and passenger motor vehicles is expected to be \$8.4 million.

The value of the tender quota allocation for 1992/93 has been raised by 19% above 1991/92 levels as a result of the expansion of quota ceilings. However, due to a general reduction in premium rates, the level of duty is expected to drop by \$56.4 million.

The additional revenue derived from the duty changes to high volume imports of used or secondhand passenger motor vehicles depends on the volume of trade in these goods. This is expected to be low and therefore the additional revenue will be minimal.

The Customs duty forgone in reducing the tariff rates on certain steel products is expected to be \$4.7 million in 1992/93, \$3.7 million in 1993/94, \$2.8 million in 1994/95 and \$1.9 million in 1995/96.

Other changes have either been costed into the 1991 Industry Statement or have minor significance in financial terms.

Section 7 - Provides that the amendment in Schedule 2 shall operate on and from 1 January 1991

- . Covers - amends item 41A in Part III of Schedule 4 which arises from the Government's Automotive Policy to the Year 2000 announced in the 1991 Industry Statement. This item provides the legislative means by which the Export Facilitation Scheme is managed under the Passenger Motor Vehicle Manufacturing Plan. This change allows vehicle component manufacturers to directly use credits which they earn under the Export Facilitation Scheme.

Section 8 - Provides that the amendment in Schedule 3 shall operate on and from 12 March 1991

- . Covers - inserts item 56 in Part III of Schedule 4 to allow the duty free entry of "State of the Art" capital equipment. Only equipment of Chapters 84, 85, 86, 88, 89 or 90 in Schedule 3 which, in the opinion of the Minister, is technologically more advanced, more efficient or more productive than similar equipment available from Australian manufacture will be allowed entry under this item.

Section 9 - Provides that the amendments in Schedule 4 shall operate on and from 1 October 1991

- . Covers - alters item 31 in Part II of Schedule 4 which covers aircraft parts. The concession is expanded to include all aircraft parts, materials and test equipment for use in the manufacture, repair or maintenance of aircraft, other than goods for use in the servicing of aircraft;
- deletes the sunset clause in item 36B in Part III of Schedule 4. This item, which provides duty free entry of certain chemicals for specific end-use, was due to terminate on 31 December 1991. The concession is extended by the removal of the sunset clause;



- inserts item 57 in Part III of Schedule 4. The aim of this item is to enhance the international competitiveness of Australian industry by allowing the duty free importation of ethylene vinyl acetate, nitrocellulose or pyroxolin coated cotton book binding fabric, pharmaceutical grade gelatin, polyacrylamide flocculants, and polycarbonate under strict end-use security provisions; and
- inserts item 58 in Part III of Schedule 4. Following the release of Industry Commission Report No. 3 on "Aids and Appliances for People with Disabilities" the duty on invalid carriages and parts thereof of subheadings 8713.10.00 and 8714.20.00 was reduced to Free. General purpose components and materials were excluded from this action. The creation of this item will allow manufacturers and repairers of invalid carriages to import these components and materials free of duty.

Section 10 - Provides that the amendments in Schedule 5 shall operate on and from 1 January 1992

- . Covers - changes to Schedule 1. Withdraws the concessional tariff treatment accorded Yugoslavia under the Australian System of Tariff Preferences and confers that concessional treatment on the Republics of Bosnia-Herzegovina, Croatia, Macedonia and Slovenia;
- amendments of Chapter 87 as follows:
  - . the redefinition of off-road and passenger motor vehicles in Notes 4 and 5. Notes 3 and 9 have been omitted and Note 8 has been renumbered to No. 3;
  - . the redesignation of the weight limit for light commercial vehicles from 2.72 t to 3.5 t,

have also necessitated a number of changes to the structure in Chapters 84 and 87;
- changes to the Table in item 36B in Part III of Schedule 4. Tariff subheadings which have become duty free because of the phasing out of duty have been omitted from the Table;

- the sunset clause in item 37B in Part III of Schedule 4 has expired. The item is therefore omitted;
- creates item 40G in Part III of Schedule 4. A Customs Co-operation Council amendment of sub-Note 1(b) to Chapter 90 excluded certain duty free textile orthopaedic supports from heading 9021. This action would have resulted in these goods becoming dutiable. The new item continues duty free entry for these orthopaedic goods; and
- consequent upon the changes to off-road and passenger motor vehicles the following changes to items in Part III of Schedule 4 are necessary:
  - . the replacement of a number of tariff subheadings from sub-paragraphs (a) in item 41A and (b) in item 41B with the words "passenger motor vehicles"; and
  - . amends the subheadings in sub-paragraph (a) in item 41B.

Section 11 - Provides that the amendments in Schedule 6 shall operate on and from 1 March 1992

- . Covers - recognition of Croatia and Slovenia as independent countries, and Montenegro as a place, under the Australian System of Tariff Preferences;
- increases the footwear priceline for subheadings 6402.20.10, 6402.99.20, 6404.19.20, 6404.20.10, 6405.10.10, 6405.20.10, 6405.90.20 and subitem 21V from \$1.50/pair to \$1.70/pair;
- changes the quota tender and tender extension duty rates for TCF goods in Schedule 5 to the Principal Act for the quota period 1 March 1992 to 28 February 1993 following the determination of duty rates under the 1992 Tender Quota Scheme;
- change to item 40G in Part III of Schedule 4 to ensure only those goods excluded from heading 9021 are covered by this item; and

- extension of the provisions of item 57 in Part III of Schedule 4. The Government has decided to widen the range of raw materials and intermediate goods to be used as inputs in the Chemicals, Plastics, and Book Binding and Allied Industries. This will enable Australian manufacturers to become more internationally competitive.

Section 12 - Provides that the amendment in Schedule 7 shall operate on and from 1 April 1992

- . Covers - change to Additional sub-Note 4(e) to Chapter 87. It clarifies the intention that to qualify as off-road vehicles, vehicles should have front and rear axles and suspension with minimum clearance levels of 175 mm.

Section 13 - Provides that amendments in Schedule 8 shall operate on and from 1 July 1992

- . Covers - inserts phasing rates of duty for certain vegetable products. These rates were announced in the 1991 Industry Statement but were inoperative because of a legal technicality;
  - clarifies those subheadings in Table 1 of Schedule 6 in Act 81 of 1991 which were considered to include replacement parts of passenger motor vehicles. Following negotiations with industry groups, this list has been revised and those subheadings now excluded from the Table have had phasing rates of duty inserted in accordance with the 1991 Industry Statement;
  - inserts a new rate of duty of 5% for certain flat-rolled, cold-rolled, and clad, plated or coated steel of headings 7209, 7210, 7211 and 7212. The rate of duty for Hong Kong, Republic of Korea, Singapore and Taiwan Province remains unchanged at 5%;
  - inserts a new rate of duty of 35%, and \$12 000 each on high volume imports of used or secondhand passenger motor vehicles of 8703;

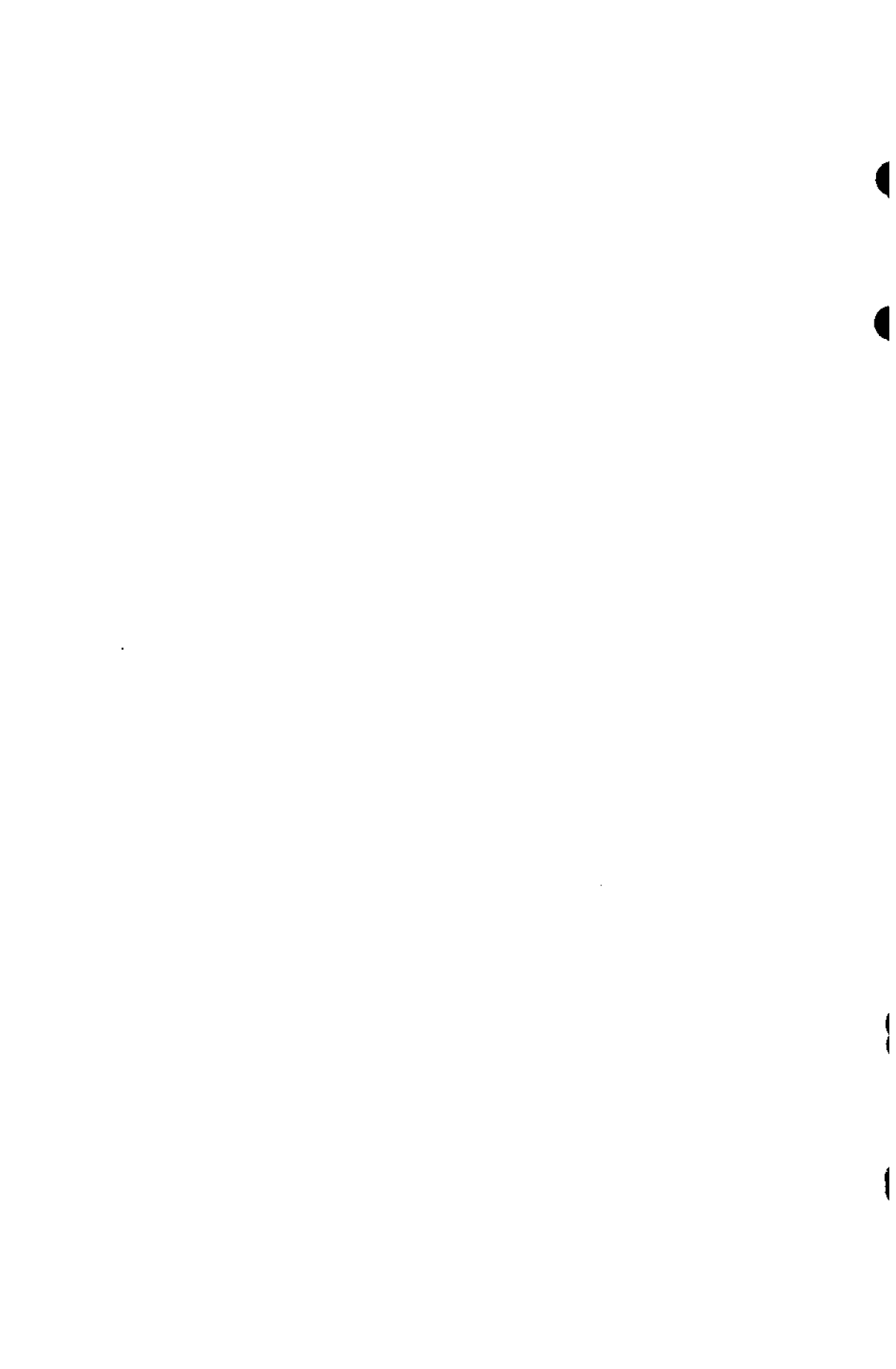
- restructures headings 8702, 8703 and 8704, following the phasing down of duty rates. This restructure combines those subheadings which have the same rates of duty;
- clarifies the duty treatment for "short pack" bicycles. Short pack bicycles have the essential character of bicycles but are shipped to Australia without a particular component i.e., one wheel or a seat and handlebars and as such are not legally considered a bicycle. This change ensures that forks and frames continue to attract the intended rate of assistance;
- omits item 10 in Part I of Schedule 4. This is a provision which has become superfluous since the decision to remove margins of preference accorded goods of New Zealand origin under the provisions of the Australia New Zealand Closer Economic Relations - Trade Agreement; and
- inserts new item 59 in Part III of Schedule 4. This item will allow entry of certain used or secondhand passenger motor vehicles (e.g., personal importations, low volume, prototypes) without payment of the \$12 000 duty imposed on high volume imports.

Section 14 - Provides that amendments in Schedule 9 shall operate on and from 14 days after the Royal Assent

- . Covers - two minor administrative amendments to Chapters 4 and 22 to correct anomalies caused by previous legislative changes;
- inserts three new Additional Notes to Section XVI to clarify the Customs Co-operation Council's intent to classify goods falling in Section XVI as goods in their own right; and
- inserts a new Additional Note to Chapter 84 to clarify the Customs Co-operation Council's intent to classify palletisers in heading 8428.

Section 15 - Provides that amendments in Schedule 10 shall operate on and from a day to be proclaimed, currently expected in September/October 1992

- . Covers - these amendments of items in Schedule 4 to the Principal Act are consequential on definitional changes to be effected to Part XVA of the Customs Act 1901 by amendments contained in Clause 10 of the Customs Legislation (Tariff Concessions and Anti-Dumping) Bill 1992. In particular, proposed new sections 269C to 269E in that Bill provide new definitions for:
  - . the core criteria pursuant to which an application for a Tariff Concession Order (TCO) will be decided (new section
  - the core criteria replace the current "goods serving similar functions" test in section 269C;
  - . "goods produced in Australia" (new section 269D refers);
  - . "the ordinary course of business" (new section 269E refers); and
  - . further renumbering of current sections in Part XVA of the Customs Act 1901.



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