

1985
PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA
HOUSE OF REPRESENTATIVES

CUSTOMS TARIFF AMENDMENT BILL (NO. 2) 1985

EXPLANATORY MEMORANDUM

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

CUSTOMS TARIFF AMENDMENT BILL (NO. 2) 1985

OUTLINE

The purpose of this Bill is to enact a wide range of changes to the Customs Tariff Act 1982.

The Bill includes three Clauses relating to sections of the Principal Act and eight Clauses which correspond to Schedules to the Bill. These Schedules incorporate changes -

- (a) introduced in the House of Representatives as Customs Tariff Proposals Nos. 5-6 (1985);
- (b) initially introduced by Gazette Notice and subsequently introduced as Customs Tariff Proposals Nos. 7-9 (1985); or
- (c) which are being introduced by this Bill.

The changes already introduced by Customs Tariff Proposals emanate from -

- . the Government's decision on the National Health and Medical Research Council Review of Wines and Spirits legislation which has required an amendment to the Customs Tariff description of rum;
- . the requirement arising in a budgetary context to increase the Customs duty applying to imported manufactured tobacco;
- . Government decisions arising from Industries Assistance Commission Reports on the Commercial By-law System and the Chemicals and Plastics Industries - interim report on end-use under security by-laws; and
- . Government decisions on changes made under certain trade agreements, sectoral industry policies and in pursuance of the tariff simplification and maintenance objectives.

Changes which are being introduced directly by this Bill relate to -

- . amendments to the sections of the Customs Tariff Act 1982 which are complementary to the insertion of new sub-section 151(5A) of the Customs Act 1901;
- . the omission of section 30 of the Principal Act. The need to retain this section, which relates to temporary assistance, has been removed by amendments made last year to the Industries Assistance Commission Act 1973 in respect of temporary assistance;

- . amendments to restore the levels of assistance considered to have been removed by Administrative Appeals Tribunal decisions on grass yarns of polypropylene and photographic chemicals and other amendments to maintain the technical accuracy, remove ambiguity and restore the intended coverage of certain provisions of the Principal Act;
- . Government decisions in respect of assistance arrangements to apply to -
 - metal working machine tools and robots;
 - heavy commercial motor vehicles, parts and accessories;
 - agricultural wheeled tractors and certain parts;
 - certain footwear;
 - chenille fabrics; and
- . the Government's decision in respect of inwards duty free shopping.

FINANCIAL IMPACT

It is estimated that the revenue collections foregone as a result of measures contained in this Bill may amount to \$1.2 million in a full financial year. This estimate may be partially offset by increased levels of imports of some of the goods subject to altered levels of assistance.

In respect of metal working machine tools and robots, heavy commercial motor vehicles, parts and accessories and agricultural wheeled tractors and certain parts, the changes proposed by this Bill are complementary to other measures contained in bounty legislation. Account needs to be taken of the bounty payments to be outlaid under the respective pieces of bounty legislation to gauge the overall financial impact of these assistance arrangements.

No significant administrative costs are anticipated in respect of this Bill.

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DETAILED DESCRIPTION OF THE BILL

A Bill for an Act relating to duties of Customs

Clause 1 - Citation - Customs Tariff Amendment Act (No. 2) 1985

Clause 2 - Date of Commencement - date of Royal Assent except
as otherwise provided

Sections 3 and 4 - date of operation is the day on which
sub-section 151(5A) of the Customs Act
1901 comes into operation

Section 5 - 18 October 1984

Section 6 - 1 January 1985

Section 7 - 9 February 1985

Section 8 - 23 May 1985

Section 9 - 1 July 1985

Section 10 - eight o'clock in the evening by
standard time in the Australian
Capital Territory on 20 August 1985

Section 11 - 7 days after Royal Assent

Section 12 - 1 January 1986

Section 13 - date of operation is the day on which
relevant sections of the Customs and
Excise Legislation Amendment Bill (No.
2) 1985 come into operation

Clauses 3 and 4 - Provide for amendments of sub-sections
15(3) and (4) and sub-section 21(3) of the
Principal Act

Sub-sections 15(3) and (4) and 21(3)
are being amended by having a reference
to new sub-section 151(5A) of the
Customs Act included in them.
Sub-section 151(5A) of the Customs Act
enables certain New Zealand content to
be included in determining whether
goods are eligible for Forum Islands
preference. The amendments of the
Customs Tariff Act are complementary to
the Customs Act amendment and keep the
provisions determining the duty rates
applicable to goods from preferential
sources in line with the relevant rules
of origin provisions in the Customs Act.

- Clause 5 - Provides for the repeal of section 30 of the Principal Act
- . Section 30 of the Principal Act is repealed following the abolition of the Temporary Assistance Authority and the amendment of certain provisions relating to temporary assistance in the Industries Assistance Commission Act 1973. These amendments to the IAC Act make unnecessary the retention of section 30 of the Customs Tariff Act.
- Clause 6 - Provides that the amendment in Schedule 1 shall operate from 1 January 1985
- . Covers - the provision for the duty free entry under quota, in 1985, of 500 000 units of new woven polypropylene bags of Forum Island origin falling within sub-item 62.03.1 in Schedule 3 to the Principal Act.
- Clause 7 - Provides that the amendment in Schedule 2 shall operate from 9 February 1985
- . Covers - an amendment to reduce the rate of duty applicable to certain engine powered lawnmowers of New Zealand origin following a review of the intermediate goods compensating charge applied under Article 14 of the Australia New Zealand Closer Economic Relations-Trade Agreement (ANZCERTA). The rate of duty applicable to New Zealand lawnmowers is reduced from 7% to 5%.
- Clause 8 - Provides that the amendment in Schedule 3 shall operate from 23 May 1985
- . Covers - a Government decision in respect of the National Health and Medical Research Council's Review of Wines and Spirits legislation. The tariff description of sub-item 22.09.3 in Schedule 3 to the Principal Act is amended to reflect revised standards applying to imported rum. The change is complementary to a change to the Excise Tariff Act 1921.

Clause 9

- Provides that the amendments in Schedule 4 shall operate from 1 July 1985
- . Covers - amendments to correctly reflect the official titles of countries and places specified in Schedule 1 to the Principal Act;
- amendments to remove redundant phasing rates of duty and to amalgamate certain tariff classifications where the removal of phasing rates has made this possible;
- changes to implement new arrangements to increase access for certain furniture and furniture components following consultations under the Australia New Zealand Closer Economic Relations-Trade Agreement (ANZCERTA);
- an amendment to item 56 in Part I of Schedule 4 to the Principal Act to extend to prescribed shipbuilders duty free entry of goods used in the construction or modification of bountiable vessels. This action follows an amendment to the Bounty (Ships) Act 1980 which has enabled these shipbuilders to be registered for bounty purposes;
- changes which continue implementation of the Government's decision on the Industries Assistance Commission Report on the Commercial By-law System. The decision introduced the Commercial Tariff Concession System operative from 1 July 1983. The decision also provided for a 2 year transitional period during which Commercial By-law System Concessions were to be phased out, resulting in all references in Part I of Schedule 4 to the Principal Act containing Commercial

By-law System criteria being omitted from 1 July 1985. However, some changes to Part I of Schedule 4 to the Principal Act are being made to maintain concessional entry of certain goods which would have otherwise lapsed on 1 July 1985, being:

- (1) goods entered under end-use under security provisions - new items 60, 61 and 62;
- (2) goods imported to meet shortfall and fallshort situations - new item 59 only provides for concessional entry to be continued for products receiving such treatment prior to 1 July 1985. The long term future of these concessions is to be subject to review by the IAC. In this respect some goods are already under reference to the Commission;
- (3) goods imported to enable the testing and evaluation of motor vehicle components under the plan known as the Passenger Motor Vehicle Manufacturing Plan - amendment of item 24;
- (4) goods imported for use as prototypes for the manufacture of similar goods in Australia - new item 58; and
- (5) goods imported for use in petroleum exploration and development - new item 57 replacing items 41 and 52 and amendment to the legal note to Part I of Schedule 4 to the Principal Act;

- the introduction of new Customs Tariff assistance arrangements for metal working machine tools and robots to complement bounty arrangements being introduced by the Bounty (Metal Working Machines and Robots) Bill 1985. The Customs Tariff changes reduce duties on goods whose local manufacture is eligible for bounty by introducing -

- (1) new provisions at minimum rates for gas-operated appliances and laser or electric operated metal working machines or apparatus when incorporating a computer control. Two new legal notes to define the term "computer control" are being introduced; and
- (2) a new item in Part I of Schedule 4 to the Principal Act to enable concessional entry of certain robots, and parts and accessories of a kind used solely or principally therewith.

Clause 10

- Provides that the amendments in Schedule 5 shall operate from the hour of eight o'clock in the evening by standard time in the Australian Capital Territory on 20 August 1985
- . Covers - amendments to increase the Customs duty on imported manufactured tobacco by \$5 per kilogram. These amendments are complementary to changes proposed to the Excise Tariff Act 1921 which increase Excise duty on locally produced manufactured tobacco by the same amount.

Clause 11

- Provides that the amendments in Schedule 6 shall operate from 7 days after the date of Royal Assent

- . Covers - further changes arising from the Government's decision on assistance arrangements for metal working machine tools and robots. The goods to which these changes apply are not subject to bounty assistance. An increase in the rate of duty applying to certain non-powered metal working machine tools, and parts and accessories therefor, is proposed;
- a minor change in respect of the demarcation point between dutiable and duty free tractors following a Government decision on assistance arrangements applying to agricultural wheeled tractors and certain parts;
- changes in respect of chenille fabrics. In the 1981 Industries Assistance Commission Report on Miscellaneous Textile Products the IAC recommended that chenille fabrics continue to be dutiable at minimum rates. The IAC also suggested that imports of fabrics containing chenille yarn may possibly erode the assistance provided to other fabrics and that, accordingly, imports should be monitored. The May 1985 Report of the Textiles, Clothing and Footwear Advisory Committee concluded that imports of fabrics containing chenille yarn were eroding assistance to woven man-made fibre fabrics. That Committee recommended, and the Government accepted, that imports of man-made fibre fabrics containing 20%, or less, by weight of chenille yarn be dutiable at 40%, that is, the base quota rate for the equivalent man-made fibre fabrics;

- an amendment to restore the level of assistance for polypropylene grass yarns to that recommended by the Industries Assistance Commission in its 1981 Report on Miscellaneous Textile Products and accepted at that time by the Government. This change arises from a challenge by an importer of grass yarns who obtained an AAT ruling that such yarns were classified to a different tariff item from the item under which the IAC considered the goods and recommended that the 30% rate of duty apply. A new provision is being inserted prescribing the 30% rate in the item into which the AAT classified the goods;
- an amendment to the wording of sub-item 37.08.1 in Schedule 3 to the Principal Act to restore the intended levels of assistance. The wording, which relates to certain photographic chemicals, was last amended as a result of the Government's decision on the IAC's Report on Customs Tariff Simplification. An importer challenged the classification applied to certain goods before the AAT which ruled that the wording contained in the Simplified Tariff enabled entry at minimum rates of duty. The terms of reference for the Tariff Simplification Inquiry required that assistance levels not be substantially altered. The change made at Tariff Simplification has had the effect of substantially altering assistance levels, thus creating the need for this change;
- the need to correctly define goods known as ethylene oxide derivatives, following technical advice received from officers of the Australian Government Analytical Laboratories;

- a change in the tariff description of certain wrapping paper in sub-item 48.07.5 in Schedule 3 to the Principal Act following research which confirms that the provision should not apply to papers produced by a coating process;
- an amendment to the terms of sub-item 59.08.1 in Schedule 3 to the Principal Act to remove a potential ambiguity in the interpretation of the 34 grams per square metre limitation on the plastic addition to certain fabrics which is contained in the wording of that sub-item; and
- certain minor amendments to ensure that the Customs Tariff Act uses correct spelling, grammatical and drafting forms.

Clause 12

- Provides that amendments in Schedule 7 shall operate from 1 January 1986
- . Covers - the Government's decision on the assistance arrangements to apply to the production of heavy commercial motor vehicles, parts and accessories. The new arrangements introduce a uniform 20% General rate of duty for general purpose heavy commercial vehicles, most special purpose vehicles and fire-engines. A single 30% General rate is to be applied to crane lorries and the current bounty on selected components will be progressively replaced by an equivalent Customs Tariff. A uniform rate of 25% will also be applied to filters. Filters of New Zealand origin will, however, remain dutiable at existing rates;

- Government acceptance of the recommendation by the Textiles, Clothing and Footwear Advisory Committee in its May 1985 Report on the Customs value criteria applying to certain footwear. The changes also include the Developing Country arrangements for footwear to apply during 1986, under the Textiles, Clothing and Footwear Sectoral Policy.

Clause 13

- Provides that the amendment in Schedule 8 shall operate from the date on which the relevant sections of the Customs and Excise Legislation Amendment Bill (No. 2) 1985 dealing with inwards duty free shopping come into operation
 - . Covers - an amendment to item 15 in Part I of Schedule 4 to the Principal Act to enable duty free entry of certain goods purchased at airports by passengers arriving from overseas.

