

1987

PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

SENATE

CUSTOMS TARIFF AMENDMENT BILL (NO. 2) 1987

REPLACEMENT EXPLANATORY MEMORANDUM

(Circulated by the Authority of
the Minister for Science and Small Business
The Honourable Barry O Jones)

THIS MEMORANDUM REPLACES THE EXPLANATORY MEMORANDUM PRESENTED
TO THE HOUSE OF REPRESENTATIVES ON 7 OCTOBER 1987.

CUSTOMS TARIFF AMENDMENT BILL (No. 2) 1987

GENERAL OUTLINE

The purpose of this Bill is to enact a range of changes to the Customs Tariff Act 1987 (the Harmonized Tariff). The International Harmonized Commodity Description and Coding System Convention (the Convention) on which the Harmonized Tariff is based will come into force on 1 January 1988. Australia is a contracting party to the Convention and it is proposed that the Harmonized Tariff including the amendments contained in this Bill will operate from that date.

The proposed changes to the Principal Act are necessary, as follows:

- . Government decisions on Industries Assistance Commission Reports on Vegetables and Vegetable Products (No. 384), Luggage, Handbags and Similar Containers (No. 385), Chemicals and Plastics Industries (No. 390) and Reconditioned Automotive Engines (No. 394) as well as Passenger Motor Vehicles and Textiles, Clothing and Footwear Sectoral Policies, the Pharmaceutical Products Industry, certain goods subject to Excise duty and Government decisions made since the close-off of amendments to the Principal Act;
- . Amendments to correct certain anomalies arising from the translation of current assistance arrangements to the Harmonized Tariff; and
- . Amendments including Additional Notes to Sections and Chapters required to ensure the Principal Act accurately reflects the intention of the Convention, a technical drafting change to section 28 of the Principal Act and to correct proofreading and drafting errors.

FINANCIAL IMPACT

The decision on the Pharmaceutical Products Industry will result in an estimated decrease in revenue of \$568,000.

The decision on the IAC's Report on Chemicals and Plastics as a result of the removal of the concessional arrangements will provide some increase in revenue through increased duty payments. However, in the context of the Government's overall decision on chemicals and plastics, which considerably reduced tariff rates, the net effect will be revenue neutral.

The decision on the IAC's Report on Reconditioned Automotive Engines will have no financial impact as the Commonwealth's contribution to the National Industry Extension Service (NIES) element of the revised assistance arrangements is to be met from the general NIES allocation and thus will not require any further financial commitment.

Except for the change to ammunition, the various changes relating to compelling industry cases will have minimal financial impact. However, it is expected that the savings to the consumer at the retail level for beverage concentrates is estimated to be in the order of \$6 million. Although it is difficult to quantify the financial impact of the decision on ammunition, it is expected that there could be a small net increase in revenue.

The various changes to textile products taken in the context of the Government's decision on the Post-1988 Arrangements for the Textiles, Clothing and Footwear Industries should have minimal financial impact except for flax yarns. In the financial year 1987/88 the changes will add approximately \$0.2 million to revenue and \$0.4 million in a full year.

The amendment to correct an anomaly in the treatment of certain four-wheel drive vehicles will result in a loss to revenue of up to \$0.4 million in a full year.

The imposition of a surcharge on aviation gasoline will raise an estimated \$3.9 million in 1987/88.

The other changes in the Bill are expected to have minimal financial impact.

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DETAILED DESCRIPTION OF THE BILL

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

Clause 1 - Citation - Customs Tariff Amendment Act (No. 2) 1987

Clause 2 - Date of Commencement

This Act commences on the date on which the Customs Tariff Act 1987 commences

Clause 3 - This clause contains a number of amendments to the Excise items listed in the Table to subsection 26 (1) of the Principal Act (the "Indexation" provisions):

- . complementary changes consequent upon changes to the Excise Tariff Act 1921; and
- . correctly specify Excise items.

Clause 3A- This clause contains a technical drafting change to section 28 of the Principal Act. This section currently repeals the Customs Tariff Act 1982, its amending Acts, and any Acts passed in 1987 which amend those Acts. The section is reworded to provide for Acts passed in 1987 which amend the Customs Tariff Act 1982, in addition to other Acts. The amended section will repeal only that part of a 1987 Act which amends the Customs Tariff Act 1982, as amended, leaving the balance of the Act operational.

Clause 4 - Provides for amendments to the Principal Act as specified in the Schedule to the Bill:

- . covers - Changes arising from the Government's decision on policies for the development of the Pharmaceutical Products Industry following the Industries Assistance Commission's Report on Pharmaceutical Products. Certain surface-active agents will be dutiable at 20%, wadding, including cotton wool and absorbent cotton, dutiable at 10% and crepe bandages at 5%.
- Changes arising from the Government's decision on the Industries Assistance Commission's Report on Vegetable Products. Under the new tariff arrangements, imports of most fresh vegetables will be dutiable at minimum rates (either Free or 2%) and imports of most processed vegetables will be dutiable at 10%. Mushrooms and fresh or chilled truffles will initially be dutiable at

15%, phasing to 10% on 1 January 1989. Dried, dehydrated or evaporated potatoes and flour, meal and flakes of potato will initially be dutiable at 40%, phasing by 5% each year to a rate of 10% on 1 January 1994. Tomatoes, either whole or in pieces will be dutiable at 20% until 1 January 1992 and then phase to 10% on 1 January 1994. Tomatoes in other forms will be dutiable at 25% until 1 January 1990 and then phase by 5% each year to a rate of 10% on 1 January 1994.

- Changes arising from the Government's decision on the Industries Assistance Commission's Report on Luggage, Handbags and Similar Containers. The rate of duty applying to all goods of heading 4202 will be 20% phasing to 15% on 1 January 1989.
- A series of amendments made in the context of the chemicals and plastics industries, being:
 - . correction of certain anomalies in the Principal Act resulting from the translation of the Government's decision on the Industries Assistance Commission's Report on the Chemicals and Plastics Industries to the Harmonized format; and
 - . insertion of new by-law items in Part III of Schedule 4 to the Principal Act to provide concessional tariff treatment for specific sectors of the industries.
- Changes to redress assistance anomalies which have become apparent following publication of the detail of the Harmonized Tariff. These include:
 - . beverage concentrate and hydrolysed protein (HS2106.90.00). Duties are decreased from 10% to 5% for beverage concentrate;
 - . wadding of textile materials (HS5601.10.00). Duties are decreased from 25% to 2%;
 - . chain of precious metal (HS7115.90.00). Duties are increased from 5% to 25%, whilst other goods of the subheading are reduced to 2%;

- . certain air compressors (HS8414.40.00, 8414.80.00). Duties are increased from 5% to 25% for small units not exceeding 3 m³ capacity and to 15% for larger units not exceeding 25 m³ capacity. Those exceeding 25 m³ capacity will reduce to 2%. Bare compressor units will continue to be dutiable at 20%;
 - . certain commercial cooking equipment (HS8419.81.00). Duties are decreased from 25% to 15%, whilst hot drink dispensing machines remain dutiable at 25%;
 - . assembled solar arrays and solar cells (HS8541.40.00). Duties are increased from 2% to 20%;
 - . motorcycle exhaust systems (HS8714.19.00). Duties are increased from 5% to 20%; and
 - . ammunition (HS9306.10.00 and 9306.30.00). Duties are increased from 10% or 15% to 20%).
- A series of amendments made in the context of the current Textiles, Clothing and Footwear Sectoral Policy, being:
- . clarification and minor amendments of tariff arrangements relating to handcrafting yarns. These changes maintain current assistance levels for cut corduroy (decrease in duty from 25% to 2%) and neoprene wetsuit fabrics (decrease in duty from 25% to 15%);
 - . increase in duties on sheathed continuous filament tow from 2% to 25% to restore the Government's intended level of assistance for twine, cordage, ropes and cables. This action follows a decision by the Administrative Appeals Tribunal;
 - . a change to finished sewing thread of subheading 5306.20.10 to increase the Developing Country rate from 5% to 10%; and
 - . an amendment to the wording of item 29 in Schedule 5 to the Principal Act to clarify the scope of the goods subject to the item.

- An amendment made in the context of the current Passenger Motor Vehicles Sectoral Policy by the insertion of an Additional Note to Chapter 87 to correct an anomaly in the treatment of off-road vehicles.
- Changes to Additional Notes to Sections and Chapters of the Principal Act, being:
 - . deletion of the Additional Notes to Sections VI and VII. These Notes are not required in the Harmonized Tariff;
 - . insertion of an Additional Note to Section XI to clarify the meaning of printed fabric;
 - . insertion of an Additional Note to Chapter 58 to exclude knitted lace fabric from heading 5804 to clarify the intention of the Convention;
 - . insertion of an Additional Note to Chapter 61 to provide a criterion for determining male and female garments in the absence of other distinguishing features;
 - . insertion of an Additional Note to Chapter 87 excluding textile car mats from the Chapter. This Note clarifies the intention of the Convention; and
 - . insertion of an Additional Note to Chapter 90 excluding gas pressure regulators from the Chapter. This action restores the Government's intended assistance level as a result of an Administrative Appeals Tribunal decision.
- Amendments to include Government decisions made since the close-off for amendments to the Principal Act, being:
 - . changes imposing tariff quotas on imports of cheese and curd;
 - . duty reduction to Free on certain cultivation equipment;
 - . imposition of a surcharge on aviation gasoline; and
 - . provision for the duty free importation of certain lambskin or sheepskin leather garments of New Zealand origin.

- An amendment omitting item 16 to Part I of Schedule 4 to the Principal Act. This item has become redundant following changes to concessional arrangements for passengers or members of the crew of ships or aircraft.
- Minor editorial amendments to ensure the correctness of and to clarify the Principal Act.

