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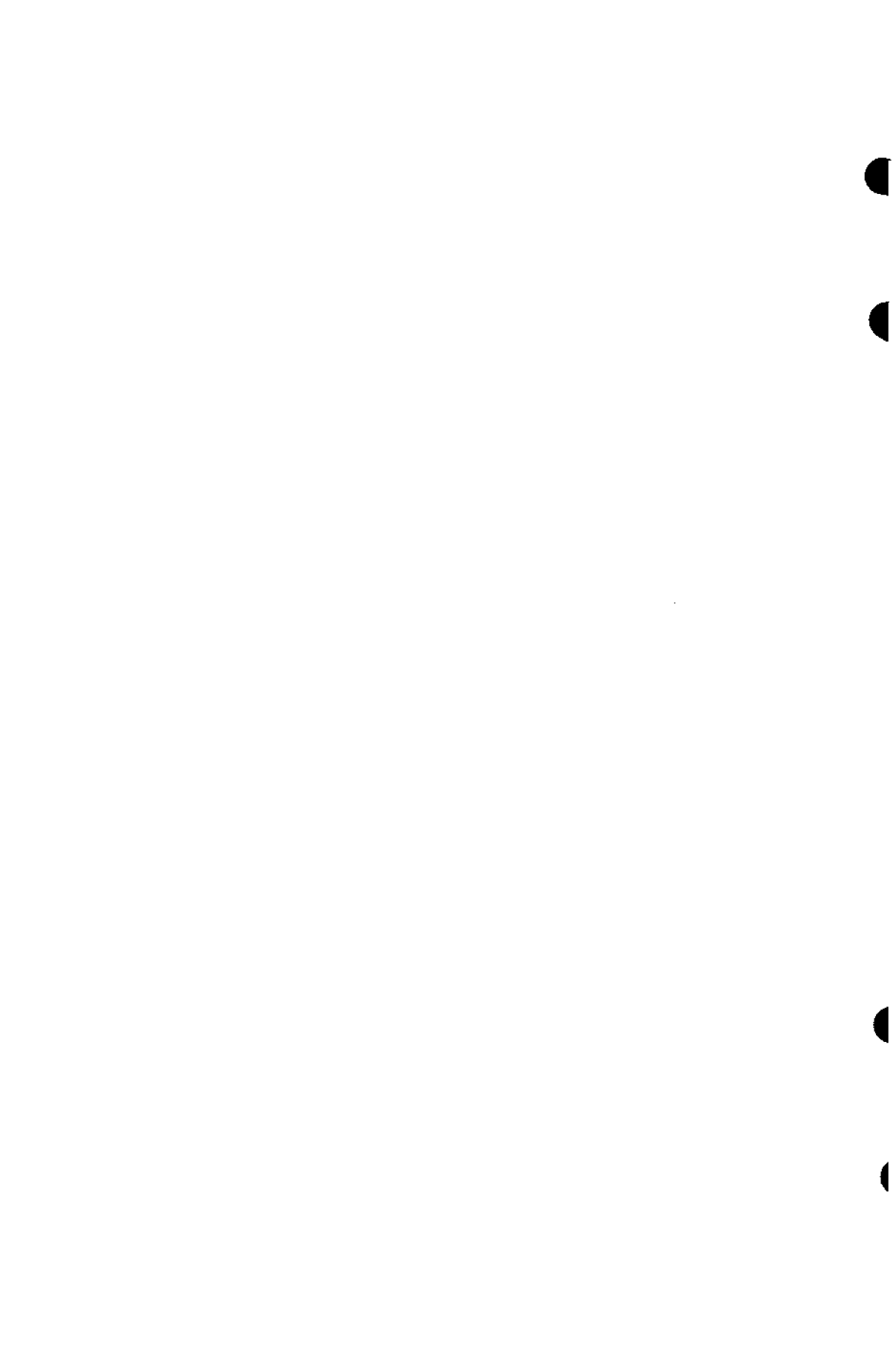
THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

CUSTOMS TARIFF AMENDMENT BILL (NO. 2) 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 (NO. 2) 1992

General Outline

The purpose of this Bill, which includes 8 Schedules, is to enact a range of changes to the *Customs Tariff Act 1987*.

Clause 3 contains the following amendments:

- (i) changes subsection 26(1) and its Table in the Principal Act.

Schedule 1 contains the following changes:

- (i) introduces a Free rate of duty for aquarium aerators, transmission shafts and cranks for outboard motors and master recording blanks.

Schedule 2 contains the following change:

- (i) provides a Free rate of duty for books for games of subheading 9504.90.

Schedule 3 contains the following change:

- (i) reduces the duty rate on aviation gasoline by 1 cent per litre.

Schedule 4 contains the following amendments:

- (i) changes to put in place the Government's initiatives to assist footwear manufacturers;
- (ii) an administrative change to item 53 to delete the words "and variants";
- (iii) changes to implement the Government's initiatives to assist the food processing and food packaging industries;
- (iv) extends the quota restrictions applying to certain cheeses; and
- (v) minor administrative changes to ensure the integrity of the Principal Act.

Schedule 5 contains the following changes:

- (i) imposes an additional duty of \$5.00 per kilogram on manufactured tobacco and tobacco products; and
- (ii) reduces the duty rate on aviation gasoline by 1.1 cents per litre.

Schedule 6 contains the following changes:

- (i) restructures many tariff subheadings which cover textile, clothing and footwear articles;
- (ii) deletes quota arrangements for textile, clothing and footwear goods from Schedule 5 to the Principal Act; and
- (iii) inserts item 61 in Schedule 4 to the Principal Act, to enable goods to be imported under the Overseas Assembly Provisions Scheme.

Schedule 7 contains the following amendments:

- (i) defines the rates of duty for goods from Hong Kong, the Republic of Korea, Singapore and Taiwan Province classified to Chapter 22; and
- (ii) combines, where possible, tariff subheadings which have the same rate of duty.

Schedule 8 contains the following changes:

- (i) reduces the rate of duty on imported beer;
- (ii) provides a Free rate of duty for decalcomania paper;
- (iii) clarifies the coverage of item 42A; and
- (iv) a minor administrative change to item 57 in Schedule 4 to the Principal Act.

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FINANCIAL STATEMENT

The budget increase in the duty on imported manufactured tobacco and tobacco products is expected to raise an additional \$5.7 m in customs duty per annum. Measures to assist footwear manufacturers through the abolition of quota restrictions on footwear parts, from 1 July 1992, are expected to involve a loss of revenue of around \$4 m per annum.

The total reduction of 2.1 cents per litre in the customs duty on aviation gasoline is cost neutral to the Government as it is being offset by a lowering of payments to the aviation industry.

Measures to assist the Food Processing and Food Packaging Industries are difficult to assess while the abolition of quotas on textiles, clothing and footwear goods was costed in the 1991 Industry Statement.

Other changes are difficult to cost but are considered to have only minor revenue implications.

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NOTES ON SECTIONS

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

Section 1 - Citation - Customs Tariff Amendment Act (No. 2) 1992.

Section 2 -

Sections 1 and 2 - Date of Royal Assent.

Subsection 3(1) and section 11 - 14 days after Royal Assent.

Section 4 - 1 January 1988.

Section 5 - 1 July 1991.

Section 6 - 7 May 1992.

Section 7 - 1 July 1992.

Section 8 - 19 August 1992.

Section 9 - 1 March 1993.

Subsection 3(2) and section 10 - 1 July 1993.

Subsection 3(1) - Provides that this amendment shall operate on and from 14 days after Royal Assent

- . Covers - section 26 of the Principal Act provides the legislative power to apply Consumer Price Index adjustments to tobacco products, beer, spirituous liquors and petroleum products.

Schedule 8 to this Bill reduces the duty rate on beer to an excise equivalent rate by omitting the Customs component of \$0.027 per litre. The change amends the text of subsection 26(1) to reflect this amendment.

Subsection 3(2)- Provides that this amendment shall operate on and from 1 July 1993

- . Covers - in Schedule 7 to this Bill a restructure of certain subheadings covering spirituous liquors has been undertaken. These subheadings are liable to Consumer Price Index adjustments and hence the Table to section 26 is amended to reflect the subheadings created by the restructure.

Section 4 - Provides that the amendments in Schedule 1 shall operate on and from 1 January 1988

- . Covers - introduces new tariff splits and a Free rate of duty for aquarium aerators of 8414.10.1, transmission shafts and cranks for outboard motors of 8483.10 and master recording blanks of 8523.90. These amendments correct anomalies which have existed since the introduction of the Harmonized Tariff.

Section 5 - Provides that the change in Schedule 2 shall operate on and from 1 July 1991

- . Covers - inserts a new tariff split and a Free rate of duty for books for games of tariff subheading 9504.90.00. This corrects an anomaly which has existed since the implementation of legislation on 1 July 1991 to introduce the provisions of the UNESCO Agreement on the Importation of Educational, Scientific and Cultural Materials.

Section 6 - Provides that the amendment in Schedule 3 shall operate on and from 7 May 1992

- . Covers - the Department of Transport and Communications is undertaking a program of progressively transferring Commonwealth-owned aerodromes to local ownership and negotiating the withdrawal of other aerodromes from the Aerodrome Local Ownership Plan.

The Commonwealth is to withdraw its financial support to these aerodromes. As cost savings to the Government occur, these savings will be passed on to the aviation industry by reducing that element of the customs duty attributed to the management of airports. The reduction on this occasion is 1 cent per litre.

Section 7

- Provides that amendments in Schedule 4 shall operate on and from 1 July 1992
 - . Covers - quota restrictions on parts of footwear covered by item 23 in Schedule 5 to the Principal Act have been abolished. These restrictions have been replaced by a reduced tariff rate of 10%. This has been accompanied by the accelerated phasing out of concessional arrangements for imports of these goods from Hong Kong, the Republic of Korea, Singapore and Taiwan Province;
 - paragraph (a) in item 41B in Schedule 4 to the Principal Act has been amended by inserting current tariff subheadings for which utilities and pick-ups of thirty years of age or over are eligible for duty free entry into Australia;
 - the amendment of item 46 and the creation of item 60 in Schedule 4 to the Principal Act is to provide assistance for the food processing and food packaging industries. The Government has decided to allow the duty free importation of goods designed for use in the food processing and food packaging industries and metal materials and goods of metal for use in the food packaging industry. To be eligible for this concession, importers will need to prove the goods have a substantial and demonstrable performance advantage over similar goods now available in Australia;

- item 53 in Schedule 4 to the Principal Act is amended by deleting the words "and variants". Variants of Passenger Motor Vehicles are no longer identified in the Tariff;
- subitem 61V in Schedule 5 to the Principal Act is amended by omitting the sunset clause which would have terminated from 30 June 1992 quota restrictions on certain types of cheese. The change is made as a result of the Government's decision on Industry Commission Report No. 14 on the "Australian Dairy Industry"; and
- minor administrative amendments to Chapters 84 and 87 to correct anomalies.

Section 8

- Provides that amendments in Schedule 5 shall operate on and from 19 August 1992
 - . Covers - in the 1992 Budget Speech, the Treasurer announced an increase of \$5.00 per kilogram in the duty rate on manufactured tobacco and tobacco products. These amendments give effect to that decision; and
 - the duty on aviation gasoline is further reduced by a total of 1.1 cents per litre. The reasons for the reduction are:
 - . 1 cent per litre reflects the cost savings to the Government attributed to transfer of Commonwealth-owned aerodromes to local ownership; and
 - . 0.1 cents per litre reflects the cost savings to the Government attributed to the withdrawal of rescue and fire fighting services from airports.

Section 9

- Provides that amendments in Schedule 6 shall operate on and from 1 March 1993
 - . Covers - quota restrictions on textile, clothing and footwear (TCF) goods will be abolished after 28 February 1993. Therefore Notes and quota items in Schedule 5 to the Principal Act relating to TCF goods are being omitted;
 - item 40C in Schedule 4 to the Principal Act is also being omitted. This item provided concessional entry for certain TCF industrial craft goods. From 1 March 1993, industrial crafts will receive the same tariff rates as other TCF goods;
 - rationalisation of various subheadings in TCF tariff chapters where the rates of duty are the same. This will simplify the classification of goods in these Chapters. No changes in duty are involved; and
 - inserts new item 61 in Part III of Schedule 4 to the Principal Act to allow Australian textiles parts subject to the Overseas Assembly Provisions Scheme to be further manufactured overseas and be allowed duty free entry on their reimportation to Australia.

Section 10

- Provides that amendments in Schedule 7 shall operate on and from 1 July 1993
 - . Covers - a close-up of tariff subheadings where rates of duty are the same. This will make classification of goods simpler; and
 - reinserts phasing rates of duty for certain wines and spirituous liquors of Chapter 22.

These rates were legislated in a previous Act but the rates for Hong Kong, the Republic of Korea, Singapore and Taiwan Province were inoperative due to a legal technicality. The rates are included in this Bill to overcome that technicality.

Section 11

- Provides that amendments in Schedule 8 shall operate on and from 14 days after Royal Assent
- . Covers - the Customs duty component of \$0.027 per litre on beer has been removed;
- provides a Free rate of duty for decalcomania (transfer) paper to correct an anomaly in the tariff structure;
- amends item 42A in Schedule 4 to the Principal Act (provides concessional entry for goods for use in the construction, modification and repair of vessels over 150 gross construction tons) to correct anomalies which have become apparent in the administration of this item. The wording of the item has been amended to clarify the intention that the concession apply only to component parts for vessels; and
- minor administrative change to item 57 in Schedule 4 to the Principal Act corrects an anomaly caused by a previous legislative change.

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