

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

CUSTOMS TARIFF AMENDMENT BILL (NO. 2) 1994

EXPLANATORY MEMORANDUM

(Circulated by the Authority of the  
Minister for Industry, Science and Technology  
Senator the Honourable Peter Cook)

## CUSTOMS TARIFF AMENDMENT BILL (NO. 2 ) 1994

### General Outline

The purpose of the Bill, which includes 2 Sections and 5 Schedules of amendments, is to enact a range of changes to the *Customs Tariff Act 1987*.

Section 3 contains the following changes:

- (i) ensures Australia's compliance with the Harmonized Commodity Description and Coding System.

Section 6 contains the following amendment:

- (i) corrects a spelling error.

Schedule 1 contains the following changes:

- (i) implements changes announced in the 1994/95 Federal Budget.

Schedule 2 contains the following amendments:

- (i) extends the phase out of access to the Developing Country margin of preference for certain countries;
- (ii) extends the coverage of the Malaysia-Australia Trade Agreement;
- (iii) implements further amendments to put in place the Government's policy relating to passenger motor vehicle components;
- (iv) implements changes announced in the 1994/95 Federal Budget; and
- (v) decreases the Customs duty on aviation gasoline.

Schedule 3 contains the following amendment:

- (i) restores the correct level of assistance for glass and plastic semi-finished lens blanks for use in spectacles.

Schedule 4 contains the following changes:

- (i) effects administrative changes to tariff subheading 8409.91.20 in Schedule 3 and to item 56 in Part III of Schedule 4 to the *Customs Tariff Act 1987*.

Schedule 5 contains the following changes:

- (i) amalgamates tariff subheadings which have the same rate of duty.

## FINANCIAL STATEMENT

The decrease of 1.977 cents per litre in the duty on fuel oil, heating oil and kerosene applied to both Customs and Excise duty. The combined decrease will result in a reduction of revenue of \$25 million in 1994/95 and \$25 million in 1995/96.

The decrease of 2.977 cents per litre in the duty on topped crude oil was applied to both exciseable and imported oil. This reduction will result in a total loss of revenue of \$2 million in 1994/95 and \$2 million in 1995/96.

The measures to reduce the coverage of the Australian System of Tariff Preferences from 1 July 1994 are estimated to result in additional Customs duty of \$15.8 million in 1994/95, \$37.9 million in 1995/96 and \$56.9 million in 1996/97 being collected.

The increase of 1.194 cents per litre in the Customs duty on aviation turbine fuel is balanced by an equivalent increase in the moneys appropriated to the Civil Aviation Authority. The financial impact is neutral.

The decrease of 6.327 cents per litre in the Customs duty on aviation gasoline is balanced by an equivalent decrease in moneys appropriated to the Civil Aviation Authority. The financial impact is neutral.

Other changes 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) 1994.

Section 2 - Date of Commencement

Subsection 1 - Date of Royal Assent

Subsection 2 - 1 January 1992

Subsection 3 - 11 May 1994

Subsection 4 - 1 July 1994

Subsection 5 - 7 July 1994

Subsection 6 - 23 September 1994

Subsection 7 - 14 days after Royal Assent

Subsection 8 - 1 July 1995

Section 3 - Provides that amendments shall operate from 1 July 1992

. Covers - This section contains three administrative changes which will ensure parity between the Customs Tariff and the Harmonized Commodity Description and Coding System:

- a) in Subheading Note 1 to Chapter 4 by substituting the word "has" for "have".
- b) in tariff subheading 2818.10 by adding the words "whether or not chemically defined".
- c) in Chapter Note 1 (e) to Chapter 94 by adding the words "furniture specially designed for sewing machines of 8452".

Section 6 - Provides that the amendment shall operate from 7 July 1994

. Covers - Corrects the spelling of the word "assessment".

Schedule 1 - Provides that the amendments shall operate from 11 May 1994

. Covers - Reductions in the Customs rate of duty on topped crude oil, fuel oil, heating oil and kerosene were announced by the Treasurer on 10 May 1994 in the 1994/95 Federal Budget.

The Customs duty on topped crude oil has been reduced by 2.977 cents per litre and fuel oil, heating oil and kerosene by 1.977 cents per litre.

The duty on these products was increased in the 1993/94 Federal Budget by 3 cents per litre. Industry has reported that these increases have had a significant adverse impact on input costs for certain export oriented operations. Hence the Government has decided to reduce the impact of these rises.

Schedule 2 - Provides that the amendments shall operate from 1 July 1994

- . Covers - i) Implements a further stage in the Government's decision to phase out access to the Developing Country margin of preference for certain countries. On 1 July 1993, this phase out commenced for imports of chemicals and plastics, textiles, clothing and footwear, rubber and leather goods, dried fruit and fruit juice from a number of the more advanced developing countries.

The amendments contained in this Bill extend the coverage of the phase out to all remaining commodities, with the exception of cheese, unmanufactured tobacco, sugar and replacement components for passenger motor vehicles, from these countries.

- ii) On 10 May 1994 the Treasurer announced in the 1994/95 Federal Budget an increase in the Customs duty on aviation gasoline and aviation kerosene of 1.194 cents per litre.

These increases continue the process, announced by the Government in the 1992/93 Federal Budget, of recovering from the aviation industry the full costs incurred in implementing aviation safety standards by 1 July 1994 and fifty per cent of the costs of safety standard setting and compliance to phase in over two years from 1 July 1993.

- iii) The rate of Customs duty on aviation gasoline is reduced by 7.521 cents per litre.

This decrease is in respect of duty collected and paid to the Civil Aviation Authority to recover airways costs attributable to aviation gasoline powered aircraft. The reduction in the rate of duty follows the adoption by the Civil Aviation Authority of a marginal cost basis for the pricing of its services provided to operators of gasoline powered aircraft.

Hence the total amount of the reduction of duty for aviation gasoline from the initiatives in (ii) and (iii) above is 6.327 cents per litre.

- iv) Bilateral trade concessions are accorded under the Malaysia-Australia Trade Agreement. In this amendment a Free rate of duty is provided for unvulcanised compounded rubber of Malaysian origin of heading 4005.
- v) In "Building a Competitive Australia" - the 1991 Industry Statement, the Government outlined its policy for the automotive industry. As an initiative to assist the passenger motor vehicle componentry industry, it was decided to freeze tariffs on certain goods used as replacement components in passenger motor vehicles at 15% after they had reached that level on 1 July 1992.

A review of tariff classifications applicable to the passenger motor vehicle sector has recently been completed by officers of the Department of Industry, Science and Technology in consultation with industry and representative bodies.

These amendments insert the duty rate of 15% for additional goods identified by the review team as being "of a kind used as replacement components in passenger motor vehicles" which were below the 15% rate of duty.

Section 7 - Provides that the amendment in Schedule 3 shall operate from 23 September 1994

- . Covers - Semi-finished lens blanks for spectacles had been classified under tariff subheading 9001.90.10. On 19 January 1994, the Administrative Appeals Tribunal decided that these goods should not be classified under that tariff subheading which attracted duty at a rate of 12% (now 10%). Instead the Tribunal decided that they should be classified under a tariff classification which was Free of duty.

The purpose of this amendment is to restore the intended level of assistance for local industry by providing a new subheading 9001.90.20 for semi-finished lens blanks with a rate of duty of 10% and the structured phase down of duty rates to 5% by 1 July 1996.

Section 8 - Provides that amendments in Schedule 4 shall operate from 14 days after this Bill receives Royal Assent

- . Covers - i) In Customs Tariff Amendment Act (No. 2) 1993, tariff subheadings 8407.32.10 and 8407.32.20 were combined as each had similar rates of duty. This amalgamation was not reflected in the subheading containing parts for these goods. This administrative amendment is necessary to ensure that the tariff treatment of these goods prior to the change is preserved.

- ii) Item 56 in Part III of Schedule 4 to the *Customs Tariff Act 1987* contains a reference to the Minister for Industry, Technology and Commerce. This change reflects the current Minister's title.

Section 9 - Provides that amendments in Schedule 5 shall operate from 1 July 1995

- . Covers - Combines a number of national tariff subheadings where duty rates are the same. This will provide a simpler tariff structure.



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