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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

CUSTOMS TARIFF AMENDMENT BILL (NO. 2) 1995

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) 1995

### General Outline

The purpose of the Bill, which includes 2 sections and 3 schedules of amendments, is to enact a range of changes to the *Customs Tariff Act 1987*.

Section 3 contains amendments to the Table to section 26(1) of the Principal Act which allows the application of Consumer Price Index adjustments to the newly created tariff subheadings in Chapter 24.

Section 4 contains a change to item 63 in Part III of Schedule 4 of the Principal Act to extend the coverage of this concessional item.

Schedule 1 contains amendments to reinstate the intended level of assistance to fabric which is composed "wholly" of certain fibres.

Schedule 2 contains amendments to remove customs duty from unmanufactured tobacco and tobacco products of Chapter 24 and a minor amendment as a consequence of the World Trade Organization Agreement coming into effect for Australia on 1 January 1995.

Schedule 3 provides a consequential amendment to tariff subheading 8532.10.1 following Australia's acceptance of the World Trade Organization Agreement.

### FINANCIAL IMPACT STATEMENT

Although the changes to unmanufactured tobacco and tobacco products involved no additional Commonwealth outlays, the impact of removing customs duty will be approximately \$4 million per annum.

The other amendments contained in this Bill have little or no revenue implications.

# CUSTOMS TARIFF AMENDMENT BILL (NO. 2) 1995

## NOTES ON SECTIONS

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

Section 1 - Citation - Customs Tariff Amendment Act (No. 2) 1995

Section 2 - Date of Commencement

Subsection 1 - Date of Royal Assent

Subsection 2 - 1 January 1995

Subsection 3 - 7 July 1994

Subsection 4 - 18 November 1994

Subsection 5 - 1 January 1995

Subsection 6 - 1 January 1996

Section 3 - Provides that the amendment shall operate from 1 January 1995

- Covers - Following the Government's decision on the Industry Commission Report No. 39 on the Tobacco Growing and Manufacturing Industries, a number of tariff subheadings have been combined as they attracted a similar rate of duty.

The Table in section 26(1) of the Principal Act is amended as a consequence of the close-up of tariff subheadings in Chapter 24 of the Customs Tariff. This section is the legal means by which the Consumer Price Index (CPI) adjustments are applied to certain excise equivalent commodities (ie. beer, spirituous liquors, petroleum products and tobacco products). The Table now reflects the revised list of tariff subheadings to which CPI adjustments are applied.

Section 4 - Provides that the amendment shall operate from 7 July 1994

- Covers - Item 63 in Part III of Schedule 4 was created in Act 87 of 1994 (*Customs Tariff Amendment Act 1994*) to provide duty free importation of certain reference materials. Reference materials are compounds (mainly of metals) with accurately known compositions which are used as a standard against which like materials and processes are compared and apparatus calibrated.

The amendment will allow reference materials to be used in a broader range of industrial and scientific processes, thus providing industry with cheaper inputs.

Schedule 1 - Provides that amendments shall operate from 18 November 1994

- Covers - These changes are inserted to reinstate the level of assistance to some fabrics composed wholly of certain fibres.

Subheading Note 2(A) to Section XI (Textiles and Textile Articles) provides that where products of Chapters 56 to 63 of the *Customs Tariff Act 1987* contain two or more textile materials, the predominant material by weight is to be considered the only material for classification purposes. The Note provides that in these circumstances the goods will be treated as being "wholly" of the predominant fibre. Where there are specific references to actual percentages, these take precedence over Subheading Note 2(A).

Section XI also contains a number of tariff subheadings that refer to goods that are "wholly" of particular fibres. The word "wholly" in these cases was originally intended to mean goods that are composed completely of certain types of fibres.

The Administrative Appeals Tribunal (AAT) determined that blankets containing viscose rayon in quantities varying from 81% to 94% were "wholly" of viscose. This had the effect of reducing the intended industry assistance from 27% to Free.

These amendments redefine the description of those subheadings by replacing the word "wholly" with "of 100%". This will reinstate the intended level of assistance for the subject goods.

Schedule 2 - Provides that amendments shall operate from 1 January 1995

- Covers - On 29 October 1993, the Assistant Treasurer asked the Industry Commission to inquire and report on the Australian Tobacco Growing and Manufacturing Industries.

On 13 December 1994, in a joint ministerial statement, the Ministers for Primary Industries and Energy, Trade, and Industry, Science and Technology and the Assistant Treasurer announced the Government's response to Industry Commission Report No. 39 of 29 June 1994. The statement outlines the main elements of an industry

package, which embodies all key measures within a proposal submitted to the Australian Government and the State Governments of Queensland, Victoria and New South Wales by tobacco growers and manufacturers.

The statement announced that the customs duty on all imports of tobacco leaf, manufactured tobacco and tobacco products would be Free commencing 1 January 1995. This means that manufactured tobacco and tobacco products will only attract the excise equivalent duty.

As a result of unmanufactured tobacco becoming free of customs duty, the concessional Schedule 4 items 35B and 35C, have become superfluous and are being omitted. A consequential change is also necessary to the Table to item 53A.

- The World Trade Organization Agreement (WTO) came into effect for Australia on 1 January 1995. Because of the tariff bindings agreed by Australia it was necessary to legislate many phased reductions of tariff rates. These amendments were legislated in the *Customs Tariff (World Trade Organization Amendments) Act 1994* (Act 152 of 1994).

However a change made in this Act would have prevented importers from claiming the intended phased reduction for certain parts classified in tariff subheading 9032.90.90.

This amendment provides a tariff split to allow parts that are not of a kind used as replacement components in passenger motor vehicles to retain the duty phase down to 5% by 1 July 1996.

Schedule 3 - Provides that the amendment shall operate from 1 January 1996

- . Covers - This amendment provides a consequential change to subheading 8531.10.1 following the WTO Agreement coming into effect for Australia on 1 January 1995.

The WTO undertaking provides for a phase down of the duty rate from 1 January 1996. Again, from this date, goods classified in subheading 8531.10.1 that are not of a kind used as replacement components for passenger motor vehicles would have been unable to claim the intended phased reduction. This amendment will allow these goods to continue to claim the phase down by 5% by 1 July 1996.



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