

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES/SENATE

CUSTOMS TARIFF AMENDMENT BILL (No. 2) 1996

EXPLANATORY MEMORANDUM

(Circulated by the Authority of the  
Minister for Small Business and Consumer Affairs,  
the Honourable Geoff Prosser, MP)

## CUSTOMS TARIFF LEGISLATION AMENDMENT BILL (No. 2) 1996

### General Outline

The purpose of this Bill, which includes 4 schedules of amendments, is to enact a range of changes to the *Customs Tariff Act 1995*.

Schedule 1 contains a number of amendments which ensured the details contained in the Schedules in the new Act were correct at the date of implementation (1 July 1996).

Schedule 2 contains an amendment to the rate of duty to item 19 in Part II of Schedule 4 which was incorrectly enacted in the *Customs Tariff Amendment Act (No. 1) 1996* - Act 32 of 1996.

Schedule 3 reduces the rate of Customs duty on aviation fuels.

Schedule 4 proposes an administrative change to item 53 in Part III of Schedule 4.

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### FINANCIAL IMPACT STATEMENT

The amendments contained in Schedules 1, 2 and 4 are of an administrative nature. As such there are no revenue implications.

Duty foregone by the reduction in the Excise and Customs rate of duty on aviation fuels in Schedule 3 is estimated to be \$13 million during 1996-97. It is not possible to isolate the effect on Customs revenue.

## CUSTOMS TARIFF LEGISLATION AMENDMENT BILL (No. 2) 1996

### NOTES ON SECTIONS

A Bill for an Act to amend the *Customs Tariff Act 1995*.

Section 1 - Short Title - Customs Tariff Amendment Bill (No. 2) 1996

Section 2 - Commencement

Subsection 1 - Sections 1, 2 and 3 commence on the day which this Act receives the Royal Assent.

Subsection 2 - Schedule 1 is taken to have commenced on 1 July 1996 immediately after the commencement of the *Customs Tariff Act 1995*.

Subsection 3 - Schedule 2 is taken to have commenced on 15 July 1996.

Subsection 4 - Schedule 3 is taken to have commenced on 1 September 1996.

Subsection 5 - Schedule 4 commences on 1 July 1997.

Section 3 - Conditions applying to the amendments contained in the Schedules to this Act.

Schedule 1 provides that the amendments in this Schedule shall operate on and from 1 July 1996 immediately after the commencement of the *Customs Tariff Act 1995*.

Covers - These changes were formally tabled in the House of Representatives as Customs Tariff Proposal No. 1 (1996) on 29 June 1996. They contain:

- The *Customs Tariff Act 1995* is a document of 946 pages which came into operation on 1 July 1996. A number of editorial errors in spelling, punctuation, font etc. and format were identified prior to the commencement day. These matters were addressed in Customs Tariff Proposal No. 1 (1996). None of the amendments are to the rates of duty applying in the *Customs Tariff Act 1987* when it ceased on 30 June 1996. These amendments are contained in paragraphs 1, 3 to 10, 21 to 26, 28 to 42, 44 and 45, and 47 to 58 of Schedule 1.

- The *Customs Tariff Legislation Amendment Act 1995* (Act 142 of 1995) amended the *Customs Tariff Act 1987* and contained a change to the treatment of topped crude oil of subheading 2710.10.19. This amendment was not contained in the *Customs Tariff Act 1995* when it was enacted.

This change defines the physical characteristics of fuel oil through an amendment of Additional Note 1 to Chapter 27. It also creates a new tariff subheading split (2710.00.12) for product defined as fuel oil by the revised Additional Note. Subheading 2710.00.19 will now cover topped crude oil excluded from the definition of fuel oil. It is now necessary to include these amendments in the new Act.

Section 19(1) of the Principal Act provides for the adjustment of Customs rates of duty for beer and spirits, manufactured tobacco and tobacco products and petroleum products in line with Consumer Price Index movements every six months. A consequential alteration to the Table of tariff items in section 19(1) of the *Customs Tariff Act 1995* is necessary to enable Consumer Price Index adjustments to be applied to the new tariff subheading. These amendments are contained in paragraphs 2, 18 and 20 of Schedule 1.

- Since the *Customs Tariff Act 1995* was enacted in December 1995, the rates of duty for beer and spirits, manufactured tobacco and tobacco products and petroleum products were increased in line with Consumer Price Index movements on 1 February 1996. It is necessary to transfer these amended rates of duty into the new Act. These amendments are contained in paragraphs 11 to 17, 19 and 20 of Schedule 1.
- In 1994, the previous Government agreed to the preparation of the *Customs Tariff Act 1995* and directed that the previously legislated rates of duty should be transferred to the new Act. At the same time, tariff changes recommended by the World Customs Organization for implementation in 1996 were incorporated into the existing tariff regime.

As a consequence of the amendment of the definition of newsprint in Note 3 to Chapter 48, the tariff structure for heading 4801 was redrafted. After the new structure became public, representations were made by the paper and paperboard industry that the new tariff structure was deficient. A re-examination of the new structure was undertaken in conjunction with industry and a revised structure was agreed. The new tariff structure provides a more comprehensive breakdown of the types of newsprint manufactured than was previously legislated. It maintains rates of duty contained in the previous Act. This amendment is contained at paragraph 27 of Schedule 1.

- On 1 January 1995, Australia agreed to a number of tariff changes to post-1996 duty levels recommended by the World Trade Organization. One of these changes involves tariff subheading 8419.90.00 which covers machinery parts. The rate of duty which applies to goods of this subheading is the "15%" legislated for "goods of a kind used as replacement components in passenger motor vehicles" (RCPMV) under the Administrative Arrangements to the Year 2000 for the Automotive Industry. Under an administrative procedure, goods which are non-RCPMV are able to claim the general manufacturing phase-down of duty rates by using item 53 in Part III of Schedule 4 to the Customs Tariff.

From 1 January 1997 the rate of duty for subheading 8419.90.00 will reduce to 13% which will prevent the use of item 53 and its resultant phase-down for non-RCPMV. Subheading 8419.90.00 is being split into 8419.90.10 for RCPMV components and 8419.90.90 for non-RCPMV goods with their respective nominal rates of duty. This amendment is contained in paragraph 43 of Schedule 1.

- Burglar alarms are classified in 8531.10.1, with tariff splits for vehicle burglar alarms in 8531.10.11 and other burglar alarms in 8531.10.19. The Macquarie Dictionary defines "burglar alarm" as "an electronic device which sounds a loud alarm if a building is forcibly entered". As a consequence, vehicle alarm systems are now considered to be classified in 8531.10.91. As the split at 8531.10.1 is no longer necessary it is proposed to combine 8531.10.11 and 8531.10.19 into 8531.10.10. Current rates of duty are unaffected. This amendment is contained in paragraph 46 of Schedule 1.

Schedule 2 provides that the amendment in this Schedule shall operate on and from 15 July 1996.

Covers - *Customs Tariff Amendment Act (No. 1) 1996* - Act 32 of 1996 - provided Government amendments to the operation of the Tariff Concession System. Item 19 in Part II of Schedule 4 accords concessional re-entry to goods which have been sent overseas for repair that could not be undertaken in Australia. Act 32 legislated a 3% rate of duty on the total value of the returned goods. This would have meant that duty would have been collected on the export value of the article. This is contrary to common Customs practice. When the legislative anomaly was realised administrative procedures were put in place to collect duty only on the value of the repairs. This initiative overcame the need to collect duty in line with the legislation and then to refund the excess amount when legislation was eventually passed. This amendment gives legal effect to the administrative action taken on 15 July 1996.

Schedule 3 provides that the amendment in this Schedule shall operate on and from 1 September 1996.

Covers - This amendment was formally notified in Special Commonwealth Gazette S323 of 30 August 1996 and tabled in the House of Representatives as Customs Tariff Proposal No. 2 (1996) on 16 September 1996.

The reduction of 0.75 cents per litre in the Excise and Customs duty on aviation kerosene and aviation gasoline stems from the over-recovery during 1995-96 of the aviation industry's contribution to service the operational costs of the Civil Aviation Safety Authority. These costs are collected by the Commonwealth through a levy included in the Excise and Customs duty on aviation fuels.

It is expected that the reduction will return over \$13 million to the aviation industry during 1996-97. The new rates of duty are \$0.01778/L for aviation kerosene and \$0.17931/L for aviation gasoline.

Schedule 4 provides that the amendment in Schedule shall operate on and from 1 July 1997.

Covers - The rate of duty for "goods of a kind used as replacement components in passenger motor vehicles" (RCPMV) is set at 15%. In many instances, the relevant tariff classifications cover more goods than just RCPMV and item 53 in Part III of Schedule 4 was provided as an administrative means to accord the general phase-down of rates of duty for non-RCPMV whose intended rate of duty is 5%.

During 1996-97 a 15% rate of duty has been applicable to certain textile articles. The relevant tariff classifications have been included in the Table to item 53 which excluded these goods being accorded the concessional phase-down to 5%.

Commencing 1 July 1997 the rate of duty for these textile articles will phase below 15% and the conditions contained in item 53 will be redundant. The administrative amendment removes these tariff classifications from the Table in item 53. There are also minor wording changes to the item to account for that change.



