

1988

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA
HOUSE OF REPRESENTATIVES

CUSTOMS TARIFF AMENDMENT BILL (NO. 3) 1988

EXPLANATORY MEMORANDUM

(Circulated by the Authority of the
Minister for Industry Technology and Commerce,
Senator The Honourable John N Button)

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GENERAL OUTLINE

The purpose of this Bill, which includes 7 Schedules, is to enact a range of changes to the Customs Tariff Act 1987.

Schedule 1 contains a range of changes, as follows:

- (i) a reduction in the duty rate applicable to walnuts from 2% to Free to meet Australia's commitments under GATT;
- (ii) provision for a tariff rate of 10% for polyphenylene oxide because of an anomaly which has become apparent since the introduction of the Government's decision on the Chemicals and Plastics Industries;
- (iii) an amendment to Additional Note 1 to Chapter 72 to raise the minimum copper content specification of high alloy steel from 0.4% to 0.8%;
- (iv) an amendment to restore a tariff rate of 2% to certain paper cutting machines and parts thereof;
- (v) an amendment to allow original components of large machines to attract Customs duty at the same rate as the complete machine; and
- (vi) an amendment to ensure correct duty treatment of deerskin leather garments of New Zealand origin.

Schedule 2 contains an amendment to legally establish the date of operation of an increase in duty applying to certain paper cutting machines and parts thereof as 22 June 1988.

Schedule 3 contains the following changes:

- (i) amendments to incorporate phasing rates of duty and to remove the revenue duty on certain tariff classifications as outlined in the May Economic Statement;
- (ii) amendments to implement certain wording changes to align with the Harmonized Commodity Description and Coding System;
- (iii) amendments to impose protective rates of duty following the removal of the import embargo on certain raw and refined sugar;
- (iv) an amendment to reduce the duty rate applicable to kerosene for use in aircraft to Free;
- (v) amendments to cater for the accelerated phasing-out of New Zealand rates for components of passenger motor vehicles from 1 January 1989;
- (vi) amendments to items 13 and 14 in Part I of Schedule 4 to the Principal Act to take account of name changes; and
- (vii) amendment to item 22 in Part II of Schedule 4 to the Principal Act to clarify its coverage.

Schedule 4 contains an amendment to ensure that glass fibre insect screening attracts the same duty rates as glass yarn from which the insect screening is made.

Schedule 5 contains a complementary amendment to the Principal Act as a result of Budget changes to the excise duty on beer.

Schedule 6 contains changes as follows:

- (i) an amendment to remove the phasing rates applying to certain metallic stearates;
- (ii) an amendment to exclude vinyl wallpaper from phasing down of tariff levels;
- (iii) amendments in accordance with the mid-term review of the Passenger Motor Vehicle Plan relating to passenger motor vehicles of New Zealand origin;
- (iv) amendments to lower Forum Island rates to Free and adjust Developing Country margins of preference to 5 percentage points below the General tariff rate in relation to certain tariff classification; and
- (v) an amendment to remove redundant item 41D in Part III of Schedule 4.

Schedule 7 contains:

- (i) amendments to implement the Post-1988 Assistance Arrangements for the Textiles, Clothing and Footwear Industries; and
- (ii) amendments to a number of tariff classifications, which were considered to fall within the ambit of the TCF Sectoral Policy prior to the TCF review, to allow their rates to phase in accordance with the rates alteration reductions.

FINANCIAL IMPACT

The decision to restore the duty rate of 10% to polyphenylene oxide will result in a small decrease in revenue. However, this will be offset at least in part by the decision not to remove the phasing rates applying to certain metallic stearates.

The decision on the copper content of high alloy steel will result in an estimated decrease in revenue not exceeding \$1.4 million.

The decision in regard to tariff reductions announced in the May Economic Statement, together with tariffs which are already phasing, the changes to the Passenger Motor Plan and the abolition of the 2% revenue duty will result in revenue decreases from \$460 million in 1988/89 to \$900 million in 1992/3.

The various changes as a result of the introduction of the new Textiles, Clothing and Footwear Sectoral Policy should result in total revenue collected over the period of the arrangements (that is 1 March 1989 to 30 June 1995) increasing by \$200 million. The increase is likely to come largely from the sale of tariff quota by tender.

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

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NOTES ON CLAUSES

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

Clause 1 - Citation - Customs Tariff Amendment Act (No. 3) 1988

Clause 2 - Date of commencement

Sections 1 and 2 - date of Royal Assent

Section 3 - 1 July 1988

Section 4 - 1 January 1988

Section 5 - 22 June 1988

Section 6 - 1 July 1988

Section 7 - 6 July 1988

Section 8 - 24 August 1988

Section 9 - 1 January 1989

Section 10 - 1 March 1989

Clause 3 - This clause omits a Customs subheading from the Table in section 26 of the Principal Act (the "Indexation" provisions). It is consequential on an amendment to Schedule 3 to the Principal Act contained in Schedule 3 to this Bill and is operative on and from 1 July 1988.

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

- . Covers - a reduction in the tariff rate of duty applicable to walnuts (0802.3) from 2% to Free to meet Australia's commitments under GATT;
- an amendment to restore a tariff rate of duty of 10% for polyphenylene oxide (3907.20) in line with other engineering resins. This overcomes an anomaly that emerged following the introduction of the Government's decision on the Chemicals and Plastics Industries. A complementary amendment to the Table in item 36C in Part III of Schedule 4 to the Principal Act is also included;

- an amendment to Additional Note 1 to Chapter 72 to raise the minimum copper content specification of high alloy steel from 0.4% to 0.8% as a result of a Steel Industry Authority recommendation;
- amendments to restore a tariff rate of duty to certain paper cutting machines and parts thereof for the period 1 January 1988 to 21 June 1988 which are complementary to amendments made in Schedule 2;
- insertion of a new item in Part I of Schedule 4 to the Principal Act to allow original components of large machines to attract Customs duty at the same rate as the complete machine; and
- a drafting alteration to the wording of subitem 5V in Schedule 5 to the Principal Act to ensure correct duty treatment of deerskin leather garments of New Zealand origin. This is in accordance with the ANZCERTA.

Clause 5 - Provides that the amendment in Schedule 2 shall operate on and from 22 June 1988

- . **Covers -** amendments which were previously included in the Customs Tariff Amendment Act 1988 (Act No. 68 of 1988) to restore a Customs rate of duty of 15% to certain paper cutting machines being sheeters, slitters, slitter-rewinders and rewinders and parts thereof on industry assistance grounds. The date of operation was incorrectly made retrospective to 1 January 1988. These amendments legally establish the date of operation as 22 June 1988. Complementary amendments are also contained in Schedule 1 to this Bill which provide for the 2% rate to be carried through from 1 January 1988 to 21 June 1988.

Clause 6 - Provides that amendments in Schedule 3 shall operate on and from 1 July 1988

- . **Covers -** incorporation of the phasing rates of duty as outlined in the May Economic Statement, and also including:
 - . amendments to remove the revenue duty on certain tariff classifications currently phasing to 2%; and

- removal of the 2% revenue duty applying to certain tariff classifications in Schedule 3 and certain items in Parts II and III of Schedule 4 to the Principal Act, including Developing Country rates of duty not covered by the Customs Tariff (Rate Alteration) Act 1988 (Act No. 53 of 1988);
- amendments to implement certain wording changes to align with the International Convention on the Harmonized Commodity Description and Coding System;
- amendments following the removal of the import embargo on certain raw and refined sugar on and from 1 July 1989. These amendments impose protective Customs rates of duty from that date which will then phase in accordance with the Government's decision announced in the May Economic Statement;
- an amendment in respect of kerosene for use in aircraft (2710.00.40) to reduce the Customs rate of duty from \$0.16634 per litre to Free. With the establishment of the Civil Aviation Authority it was decided to introduce enroute charges to replace Customs and Excise duties paid on aviation turbine fuel. Clause 3 includes a complementary change to the Table in section 26 (the "Indexation" provisions) of the Principal Act;
- amendments to cater for the accelerated phasing-out of Customs duty rates applicable to components of passenger motor vehicles of New Zealand origin from 1 January 1989;
- wording changes to items 13 and 14 in Part I of Schedule 4 to the Principal Act to take account of:
 - "The Australian Industry Participation Program" being renamed "The Australian Industry Involvement Program" - Item 13; and
 - the Employment, Education and Training Act 1988 (Act No. 80 of 1988) repealing the Commonwealth Tertiary Education Commission Act 1977 - Item 14; and

- amendment to item 22 in Part II of Schedule 4 to the Principal Act to make it clear that the item covers goods for use in natural gas exploration as well as for petroleum exploration.

Clause 7 - Provides that the amendment in Schedule 4 shall operate on and from 6 July 1988

- . Covers - an amendment to ensure that glass fibre insect screening (7019.20) attracts the same customs duty rates as glass yarn from which the insect screening is made. The rates will phase from 30% to 15% over a 3 year period rather than from 20% to 15%.

Clause 8 - Provides that the amendment in Schedule 5 shall operate on and from 24 August 1988

- . Covers - a complementary amendment as a result of changes to the excise duty on beer announced in the Budget papers. The customs tariff rate applying to beer will move from the basis of litres of beverage to one of alcohol content as currently applies to spirits.

Clause 9 - Provides that amendments in Schedule 6 shall operate on and from 1 January 1989

- . Covers - an amendment removing the phasing rates applicable to certain metallic stearates (3812.30.00). Under the current arrangements, the customs rate is phasing from 10% to 2% which is at variance with long term rates agreed to in the Government's decision on the IAC Report on the Chemicals and Plastics Industries. This amendment ensures the customs rate remains at 10%;
- an amendment to exclude vinyl wallpaper (4814.20.00) from phasing down to tariff levels implemented by the Customs Tariff (Rate Alteration) Act 1988. These goods were considered under the Chemicals and Plastics decision. The rate is being restored to 15%;
- amendments in accordance with the mid-term review of the Passenger Motor Vehicle Plan to accelerate the phasing-out of New Zealand rates for passenger motor vehicles;

- removal of Forum Island rates and adjustment of Developing Country margins of preference to 5 percentage points below the General tariff rate in relation to certain tariff classifications. These rates were not carried through to the Harmonized Tariff and are in accordance with the Revised Forum Island Countries and Developing Country preference schemes introduced on 1 July 1986; and
- removal of redundant item 41D from Part III of Schedule 4 to the Principal Act.

Clause 10 - Provides that amendments in Schedule 7 shall operate on and from 1 March 1989

- . Covers - amendments made in the context of the Post-1988 assistance arrangements for the Textiles, Clothing and Footwear Industries. These are:
 - . revised tariff quota arrangements;
 - . reduction in tariffs of 5 percentage points for apparel and footwear and for most higher duty rates for fabrics and footwear parts. Because of this reduction a duty surcharge equal to five percentage points will be introduced where quota is issued on a past import performance basis and base quota duty rates are being reduced;
 - . the end of the TCF Plan on 30 June 1995, resulting in quota arrangements being abolished eight months earlier than originally announced;
 - . liberalisation arrangements decided upon by the Australian and New Zealand Governments to provide for full free trade in goods by 1 July 1990;
 - . amendments to rectify minor anomalies which arose following the implementation process:
 - retention of the 40% base quota duty rate for cotton sheeting;

- reduction in the duty rate applicable to velvet fabrics to a long term rate of 15% in 1990; and
- amendments to maintain Developing Country duty rates where they would have increased in 1989 and then reduced to current levels in 1990; and
- amendments to a number of tariff classifications which, prior to the TCF review, were considered to fall within the ambit of the TCF Sectoral Policy.

