Customs Tariff Bill 1987

Date Introduced: 2 April 1987
House: House of Representatives
Presented by: Hon. Barry Jones, M.P., Minister Assisting the Minister for Industry, Technology and Commerce

Digest of Bill

Purpose

To replace the current system of tariff classification with one based on the International Convention on the Harmonized Commodity Description and Coding System.

Background

The Australian tariff system is currently based on the 1965 nomenclature prepared by the Customs Co-operation Council (CCC), an international body based in Brussels. The international standard aimed to allow all those involved in international trade to have a uniform description of goods to allow easier understanding of various countries tariffs. In 1970 the CCC was requested to develop a new nomenclature to be known as the Harmonized System. Over 60 countries, including Australia, and 20 international bodies were involved in developing the new system which was approved by the CCC on 14 June 1983. The new system will not come into force until between 12 and 24 months after it is signed by a minimum of 17 nations, customs or economic unions. One of the major advantages of the proposed system is its expected adoption by the U.S.A. and Canada which have not adopted the existing nomenclature.

Both the current and proposed systems are based on the identification of goods by item numbers with the description becoming more specific as the number of digits in the item number increases. For example, in the current nomenclature there are 21 sections, 99 chapters and 1009 four digit headings. Countries are free to further divide the four digit headings. Six digit descriptions appear in the Customs Tariff Act 1982. For example, Chapter 85 of that Act deals with electrical machinery and equipment and parts therefor. The four digit item 85.23 refers to insulated cables which are then divided into a number of five digit descriptions referring to various types of insulated cables such as motor vehicle wiring harnesses and extension leads. The five digit item 85.23.9 is further divided into two six digit categories. The reason for the breaking up of the various categories is that different tariff rates apply to different goods in the one class. For example, the rate for motor vehicle wiring harnesses is different from that for winding wire.
The major difference between the current nomenclature and the proposed harmonized system is that the latter will require more standardized headings that will be much more specific than the current mandatory headings. While the number of chapters will be reduced from 99 in the current system to 96 in that proposed, the number of four digit headings will be increased from 1009 to 1241, and 5019 six digit sub-headings will be introduced. The increased detail in the proposed system will allow for greater uniformity between countries and more comprehensive statistics to be prepared.

The harmonized system and its application to Australia were examined by the Industries Assistance Commission (IAC), in its report *Harmonization of the Customs Tariff*. The IAC presented two options, one was based on an examination of the existing tariff and how they would fit into the proposed system. Rationalisation was undertaken where there would be a negligible effect on assistance. In the second option, domestic sub-headings (i.e., those below the level required in the CCC nomenclature) were greatly reduced and maintained only for sectorial assistance or revenue purposes. The IAC considered that the second option would be more consistent, simple and easier to use though there would be greater effects on the level of assistance. Through the use of computer analysis it was estimated that '6.5% of Australia's imports from general sources would incur duty changes of 10 percentage points or more under Option 1, and 8.6% under Option 2'. As announced in the Second Reading Speech for this Bill, the Government has accepted Option 2 with minor modifications.

**Outline**

The majority of the Bill (pages 16 to 500) consists of the new Schedule 3 which lists the various goods and their tariff classification. As the major difference between this Schedule and the existing Schedule 3 is in the description of goods, this will not be examined in detail. In addition, a number of the clauses reflect current provisions of the *Customs Tariff Act 1982*.

**Main Provisions**

The Bill will be administered by the Comptroller-General of Customs (clause 3).

The classification of goods in Schedule 3 are to be interpreted by reference to the General Rules for the Interpretation of the Harmonized System which appear as Schedule 2 of the Bill (clause 10).

Where a good would fall under more than one description in Schedule 4 (which deals with concessional rates of duty) duty will be payable at the lowest applicable rate (clause 11).

Clause 21 will impose customs duty on goods imported into or entering Australia for home consumption on or after the commencement date of the Bill (i.e. a day fixed by Proclamation - clause 2).

The rate of tariff will be as set out in the appropriate Schedule with special rates...
Clauses 23, 24 and 25 deal with the calculation of rates for goods described in Schedule 5, goods comprising constituent parts and goods subject to concessional rates of duty, respectively.

*The Excise Tariff Act 1921* provides for an automatic increase in the excise on certain alcohol, tobacco and petroleum products in line with movements in the Consumer Price Index. Clause 26 will provide for similar increases in the customs tariff when excise is increased.

Clause 28 will repeal the Acts specified in Schedule 6 (i.e. the *Customs Tariff Act 1982* and subsequent Acts that amend that Act).

The Schedules to the Bill deal with:

- **Schedule 1** which countries are taken to be Forum Island Countries, Developing Countries and places that are to be treated as Developing Countries;
- **Schedule 2** the rules for the interpretation of the Harmonized System;
- **Schedule 3** the itemisation of goods and the rates of tariff;
- **Schedule 4** concessional rates of duty and when they will apply;
- **Schedule 5** the rates of duty applicable to goods subject to quota restrictions; and
- **Schedule 6** Acts to be repealed.

**References**


For further information, if required, contact the Economics and Commerce Group.

30 April 1987

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This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.