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CUSTOMS TARIFF AMENDMENT BILL (NO. 3) 1986

**Date introduced:** 22 October 1986  
**House:** House of Representatives  
**Presented by:** Hon. Barry Jones, M.P., Minister  
Assisting the Minister for Industry,  
Technology and Commerce

DIGEST OF BILL

**Purpose**

This is an omnibus Bill that will enact a range of changes to the Customs Tariff Act 1982, particularly in the areas of petroleum products, cultivation machinery, certain agricultural chemicals and fertilizers, electric generators, ship parts and books.

**Background**

Most of the amendments to the rates of duty on certain refined petroleum products will correspond with alterations to excise rates which have been made to offset the estimated loss or gain in revenue caused by adjustments to the Import Parity Pricing (IPP) of locally produced crude oil. Since 1 March 1986, the rate of excise on domestic petroleum products has been adjusted to offset the changes in revenue as a result of changes to the IPP[1]. For most of 1986, the excise rate was increased to offset falls in the IPP, though this pattern was reversed towards the end of 1986 as world oil prices rose. This Bill will alter the rate of customs duty on imported petroleum products to reflect the changes in excise on locally produced petroleum products.

Other amendments to the customs duty on refined petroleum products reflect the 1986-87 Budget decision to increase the excise on equivalent local products by 14.365 per cent.

Certain cultivation machinery currently carries a tariff duty of 15 per cent. On 15 April 1986, the Minister

for Primary Industry announced in the Statement on Economic and Rural Policy delivered to the House of Representatives that the Government had "decided to take further action to reduce tariff-induced farm input costs"[2] and would be replacing the tariffs on agricultural and horticultural machinery for soil preparation and cultivation with the equivalent in bounty assistance, the level and conditions of the bounty to be advised by the Industries Assistance Commission (IAC). In its Report on Cultivation Machinery of 16 June 1986, the IAC noted that where, as in Australia, tariffs provide the predominant form of industry assistance, bountiable goods are traded at lower prices. As this encourages their use, domestic producers, importers, distributors and direct users generally benefit from bounty rather than tariff assistance.[3] In response to the IAC's Report, the Government introduced the **Subsidy (Cultivation Machines and Equipment) Bill** on 22 October 1986. This Bill will remove the tariffs (including the 2 per cent revenue duty) on agricultural and horticultural machinery.

In the Economic and Rural Policy Statement, the Government noted that the price of crop protection and veterinary chemicals had increased by an average of approximately 8 per cent during 1985, and that a similar increase was anticipated in 1986. The Government expressed its commitment to reducing the price of these chemicals by bounties or tariff reduction or a combination of the two, the final decision on the particular form of assistance to be made following consideration of the IAC's final report on the matter. Pending this, the 2 per cent revenue duty will be removed[4] at an estimated cost to revenue of around \$0.4 million in a full year[5].

Since October 1984, the rates of duty for alternating current (a.c.) generating sets have been 25 per cent (< 4 kVA) and 20 per cent (> 5 kVA < 500 kVA), while sets exceeding 500 kVA have been free of duty[6]. As this arrangement contained different levels of assistance, the Government requested the IAC to advise on an appropriate level of long term tariff assistance. The IAC recommended a single tariff at the rate of 15 per cent for all except 1 kVA sets which represent a very small proportion of local production, in terms of both volume and value, and use, as their main component, engines currently dutiable at 25 per cent. Because of the low effective rate of assistance to these sets, a reduction of tariff duty to 15 per cent would, in the view of the Commission, amount to a substantial reduction in assistance to producers and should therefore be

phased in over a two year period. The IAC did not, however, consider that phasing-in should apply to other sets under 5 kVA or to those between 5 and 500 kVA as assistance to these producers had only been increased fairly recently and would not yet have had a significant impact on production decisions.[7]

In the Second Reading Speech for this Bill, the Minister stated that the Government accepted the IAC's recommendations except for sets exceeding 500 kVA, as adverse trade implications would result if Australia were to seek release from its obligations under the General Agreement on Tariffs and Trade (GATT) to import these goods free of duty[8]. The Bill does, however, provide for a reduction in duty for all sets not exceeding 25 kVA to a rate of 15 per cent over a two year period, while the remainder not exceeding 500 kVA will be subject to a rate of 15 per cent immediately.

Sulphur as well as phosphatic and potassic fertilisers are currently dutiable at the rate of 2 per cent. The IAC in its Report on Fertilisers noted that removal of the duty on sulphur had been sought by fertiliser manufacturers, supported by the Federated Ironworkers Association of Australia and the ACTU. Due to Australia's obligations under GATT, rock sulphate and sodium nitrate are admitted free of duty. In the Commission's view, the assistance policy would be better served if finished fertilisers and inputs for fertiliser manufacture were treated similarly[9]. This Bill will implement the Government's decision on the IAC's Report and that of the Government Study Group on Fertiliser Production and Consumption in Australia, to remove the 2 per cent duty on sulphur.

On 1 July 1985, ship parts' eligibility to the duty free concessions was removed. Subsequently, the Principal Act was amended so that parts for use in the construction or modification of ships would be admitted duty free. Duty free admission of certain parts for use in ship repair will be restored by this Bill.

Current arrangements for assistance to book production differ depending on the category of book. Most, but not all categories are bountiable at the rate of 25 per cent of the price charged to publishers by book producers. Of those that are not, some are protected by a 25 per cent duty on imports, while others receive no import duty

protection at all[10]. In its Report on Book Production of December 1985, the IAC pointed out that the consumer's choice of product can be affected as a result of similar products receiving differing levels of assistance. The Commission recommended that bounty eligibility be extended to, and the customs duty be removed from the production of guides and directories, excluding Australian telephone directories and timetables which would continue to be subject to customs duty. It further recommended that the general bounty rate be reduced to 20 per cent with a corresponding 5 per cent reduction in relevant customs duties[11]. The Government has accepted the recommendation for continuation of the bounty but at a lower rate of 16 per cent of net sales value[12]. The reduced rate is in line with the general 1986-87 Budget decision to reduce the rates of most bounty assistance schemes by 20 per cent[13]. The new scheme will operate from 1 January 1987 until 30 June 1989 and this Bill will implement the complementary customs tariff arrangements.

### Outline

The Bill is divided into 15 Schedules which amend the Principal Act. Each Schedule will come into operation on a different date.

### Main Provisions

For a detailed analysis of the clauses of the Bill, refer to the Explanatory Memorandum.

The rates of customs duty on certain refined petroleum products will be amended to reflect the altered rates of excise duty applicable to equivalent local products. Schedule 3 of the Principal Act will be amended as set out in proposed Schedules 1, 3 and 6, to increase the duty from 15 March 1986, 17 April 1986 and 17 May 1986 respectively; proposed Schedule 7, to decrease the duty from 14 June 1986; proposed Schedules 9 and 10, to increase the duty from 18 July 1986 and 16 August 1986 respectively; and proposed Schedule 12, to decrease the duty from 13 September 1986 (clause 3).

Clause 4 will make two amendments to Schedule 2 of the Principal Act. The first applies to imported crop protection, veterinary and certain other chemicals, currently dutiable at the rate of 2 per cent. The 2 per cent revenue duty will be removed, resulting in a Free rate

of duty. The second applies to agricultural and horticultural machinery for soil preparation or cultivation and to lawn and sports ground rollers. The revenue duty will also be removed from these items to achieve a Free rate of duty. These amendments, contained in proposed Schedule 2, will operate from 15 April 1986.

Alternating current and universal electric motors will remain dutiable at the rate of 25 per cent. A.c. generating sets having a rating not exceeding 5 kVA will phase from a GTR of 25 per cent (to 17 April 1987) through 20 per cent (from 18 April 1987 to 17 April 1988) to 15 per cent (from 18 April 1988). A.c. generating sets having a rating exceeding 5 kVA but not exceeding 25 kVA will phase from 20 per cent (to April 1987) to 15 per cent (from 18 April 1987). Other a.c. generating sets not exceeding 500 kVA will be dutiable at the rate of 15 per cent (clause 6 which will amend Schedule 3 of the Principal Act as set out in proposed Schedule 4, effective from 18 April 1986).

The rate of duty currently applicable to certain engine-powered lawnmowers imported from New Zealand is 5 per cent. Clause 7, which will operate from 1 May 1986, will remove the duty by its amendment of Schedule 5 of the Principal Act.

Clause 10, which provides that amendments in proposed Schedule 8 are to operate from 1 July 1986, will amend Schedule 3 of the Principal Act to remove the 2 per cent revenue duty on most kinds of sulphur. Clause 10 will also amend Schedule 5 of the Principal Act so that certain furniture and furniture parts imported from New Zealand will be free from duty.

Proposed Schedule 11 contains changes arising from the 1986-87 Budget. Clause 13 will amend Schedule 3 of the Principal Act to increase the customs duty on imported manufactured tobacco in line with the increase in excise duty. The duty on certain refined petroleum products will increase by 14 365 per cent, based on the rates which came into operation on 16 August 1986. These amendments will have effect from 8 p.m. on 19 August 1986 (Budget night).

A mechanism for the restoration of duty free admission of certain parts for use in ship repair will be provided by Schedule 13 to the Bill (Clause 15 which will amend Part I of Schedule 4 of the Principal Act and become operative from 10 October 1986).

Printed books, brochures, etc. (excluding Australian telephone directories and timetables) will be free from customs duty from 1 January 1987 as will maps of all kinds and atlases. Rates of duty applicable to other books will remain unchanged. (Clause 16 which will amend Schedule 3 of the Principal Act with Schedule 14 to this Bill).

Clause 17 will amend Schedule 3 of the Principal Act to introduce a duty of \$2 100 per tonne for certain cheeses and curd weighing in excess of the 1985-86 level of 11 500 tonnes. This provision, if activated, will cease to have effect from 30 June 1992 under the accompanying sunset provision. The amendments, contained in proposed Schedule 15, will operate from a date to be fixed by proclamation.

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

6 February 1987

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#### References

1. 1986-87 Budget Paper, No. 1, pp.299 and 317.
2. House of Representatives, Daily Hansard, 15 April 1986, p.2276 at 2285.
3. Industries Assistance Commission (IAC) Report, Cultivation Machinery, 16 June 1986, p.8.
4. Economic and Rural Policy: A Government Policy Statement, April 1986, pp.32-34.
5. House of Representatives, Daily Hansard, 22 October 1986, p.2564 at 2566.
6. IAC Report, Electric Motors and Generating Sets, 16 April 1986, pp.20-21.
7. Ibid., pp.40-41.
8. House of Representatives, Ibid., at p.2564.
9. IAC Report, Fertilisers, 21 October 1985, p.86.
10. IAC Report, Book Production, 20 December 1985, p.12.
11. Ibid., pp.31, 34 and 39.
12. 1986-87 Budget Paper, No. 1, p.209.
13. Ibid., p.191.

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

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