Customs Tariff Amendment Bill (No. 5) 2001
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Ian Ireland
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Customs Tariff Amendment Bill (No. 5) 2001

Date Introduced: 8 August 2001
House: House of Representatives
Portfolio: Justice and Customs
Commencement: 1 January 2002

Purpose

The amendments proposed by this Bill give effect to Australia’s obligations under the International Convention on the Harmonized Commodity Description and Coding System. The major amendments proposed by this Bill provide new headings and subheadings and separately identify new tariff products.

Background

The amendments proposed by this Bill result from the second review of the Harmonized Commodity Description and Coding System.

The Harmonized Commodity Description and Coding System

The Harmonized Commodity Description and Coding System, commonly known as the Harmonized System or HS, is a multipurpose goods nomenclature or language used as the basis for Customs tariffs and of the compilation of trade statistics around the globe.

The HS was developed by the World Customs Organization (WCO) and was implemented on 1 January 1988 through an international convention, the International Convention on the Harmonized Commodity Description and Coding System (the HS Convention). The HS is maintained by the WCO through the Harmonized System Committee, which is composed of representatives of parties to the HS Convention.

The HS operates as a global language and code for transportable goods in international trade. Approximately 170 countries and economies use the HS for Customs tariffs and trade statistics. The accounts for more than 98 per cent of world trade. HS is used by governments, international organisations and the private sector for diverse purposes including:

Warning:
This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.
This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.
• trade policies
• monitoring of controlled goods
• rules of origin
• freight tariffs
• transport statistics
• internal taxes
• quota controls, and
• economic research and analysis.

Goods classification under the HS
The HS is an international six-digit commodity classification developed under the auspices of the Customs Cooperation Council. Individual countries have extended it to ten digits for customs purposes, and to 8 digits for export purposes.

Under the HS goods are classified by what they are, and not according to their stage of fabrication, their use, or origin. The HS nomenclature, or language, is structured by economic activity or component material. For example, animals and animal products are found in one section whilst machinery and mechanical appliances which are grouped by function are found in another. The nomenclature is divided into 21 sections each of which group together goods produced in the same sector of the economy. Each section is comprised of one or more chapters, with the entire nomenclature comprising 97 chapters. Chapters I to XV (except XII) are grouped by biological genus or by the component material form which articles are made from. For those chapters in which goods are grouped by raw material, a vertical structure is used in which articles are classified according to their degree of processing.

The WCO monitors the application of HS with the objective of achieving the greatest measure of certainty and uniformity in the global classification of goods. The Harmonized System Explanatory Notes prepared by the Harmonized System Committee are the official interpretation of the HS. The HS Committee meets twice yearly to resolve classification questions and disputes. Determinations of the HS Committee are available on the internet through the WCO web site on www.wcoomd.org.

Updating of HS
The HS is periodically updated. Updates are prepared in the form of amendments to the HS Convention adopted by member states. Member states are obliged under the Convention to implement the amendments on the date schedule for their coming into force. To date the HS has been amended twice. The first time was in 1992 and those
amendments consisted primarily of editorial amendments. The second amendments came into operation on 1 January 1996 and incorporated major changes affecting approximately 10 per cent of the HS nomenclature.

The amendments proposed by this Bill represent the results of the second major review of the HS. The HS Review Sub-Committee comprising experts from national administrations and international organizations carried out this work. The recommendations of the second major review were adopted by the WCO in June 1999. Australia along with other parties to the Convention are required to implement the changes into its customs tariff arrangements with effect from 1 January 2002.

Scope of the HS amendments

The changes recommended by the WCO introduce amendments to 57 of the HS systems 97 chapters. The most extensive changes relate to:

- fruit and vegetable preparation
- chemicals, pharmaceutical products
- rubber
- leather
- wood and paper products
- knitted or crocheted fabrics
- miscellaneous non-ferrous base metals
- machinery, and
- electrical equipment.

The proposed amendments make changes extending to the six-digit level and as such amendments to the eight-digit tariff item level are also required.

Maintenance of existing tariff levels

The Government in its Explanatory Memorandum to the Bill states the Bill has:

> been designed to give effect to the HS changes while maintaining existing levels of tariff protection and margins of tariff preference accorded Australia’s trading partners.

> Where necessary, the option available under the HS to create new domestic tariff splits at the seven and eight digit levels has been used to preserve duty rates and margins of preference.

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Using this approach, it has been possible to preserve existing duty rates in all instances except for those relating to certified reference materials. These goods are “materials used for analytical purposes and which are accompanied by a certificate specifying the values of their certified properties”. Certified reference materials can include a range of materials such as metals, rubber, textiles and other goods, some of which have rates of customs duty other than Free.1

Main Provisions

As noted in the Background to this Bills Digest, the amendments proposed by this Bill give effect to Australia’s obligations under the HS Convention. The major amendments proposed by this Bill provide new headings and subheadings and separately identify new products such as narcotic drugs and psychotropic substances (see items 95-133 of Schedule 1) and chemical wastes (see items 145-157 of Schedule 1).

Endnotes

1 Customs Tariff Amendment Bill (No. 5) 2001, Explanatory Memorandum, pp. 2 and 3.