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Customs Tariff Amendment Bill (No. 2) 2005

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Customs Tariff Amendment Bill (No. 2) 2005

Date Introduced: 23 June 2005

House: House of Representatives

Portfolio: Justice and Customs

Commencement: The substantive provisions of the Bill will commence on Royal Assent. All amending items will commence retrospectively—items 1 to 3 will commence on 1 July 2005, items 4 to 7 on 11 May 2005.

Purpose

The Customs Tariff Amendment Bill (No. 2) 2005 ('the Bill') proposes to make changes to Schedule 3 and 4 of the *Customs Tariff Act 1995* ('the CTA') to:

- insert an upper alcohol content a view to harmonising the tax rates applicable to locally produced and imported grape wine above a certain upper alcohol content
- apply wine equalisation tax to certain imported wine based cream beverages, and
- remove the customs duty which applies to certain goods which are subject to Tariff Concession Orders.

Main Provisions

Taxation of locally and imported grape wine products

Locally produced grape wine (wine) with an alcohol content of less than 22 percent of volume of ethyl alcohol (alcohol content) is not subject to excise. On the other hand, locally produced wine with an alcohol content of more than 22 percent, attracts excise of $51.28 per litre under Article 2 H of the Schedule to the *Excise Tariff Act 1921*.

Under the current law, imported wine which complies with Additional Note 3 of Chapter 22 (the note) only attracts a customs duty of 5 percent. This note specifies that wine for the purposes of Chapter 22 is, amongst other things, a beverage with an alcohol content of more than 1.15 percent. Currently, the note does not contain a threshold after which imported wine may be taxed differently. As a result, unlike the locally produced counterpart, imported wine with more than 22 percent alcohol continues to attract the lower customs duty.

Item 1 of the Bill will make changes to **paragraph (a)** of **Additional Note 3, Chapter 22** of the CTA, introducing the threshold of 22 percent into this paragraph. As the result, when exceeding this threshold, imported wine will lack compliance with Additional Note 3 and attract a customs duty equivalent to the excise applicable to locally produced wines with an alcohol content of more than 22 percent.

Taxation of certain wine based cream beverages

This measure proposes changes to tariff applicable to certain grape wine products (GWPs). GWPs are defined in Additional Note 4, Chapter 22 of the CTA and include products such as vermouth or marsala, but, according to the Explanatory Memorandum, also certain wine based cream beverages (Irish Cream products).[1]

Under the current regime, imported and locally produced Irish Cream products attract different taxes and duties: imported Irish Cream products are taxed applying the relevant custom duties to the respective product under Chapter 22 of the CTA; locally produced Irish Cream products attract wine equalisation tax (WET) under the *A New Tax System (Wine Equalisation Tax) Act 1999*.

Item 2 and **3** propose to repeal and substitute the descriptions contained in column 2 of subheadings 2206.00.30 and 2206.00.4, inserting new paragraphs (b). The result of this amendment will be that imported Irish Cream products will, as their locally produced counterparts, attract WET and any relevant customs duty.

Certain goods subject to Tariff Concession Orders

According to the Explanatory Memorandum to this Bill, these measures aim at reducing:

> … business input costs, increase the international competitiveness of Australian business, and encourage investment in efficient and sustainable industries.[2]

Current item 19 of Schedule 4 of the CTA applies to certain goods which have been exported to another country and are now to be imported back into Australia. If their identity has not been altered since the date the goods were exported from Australia any cost of materials, labour and other charges involved in the repair of the good currently attracts a customs duty of 3 percent. **Item 4** of the Bill proposes to repeal this tariff set out in **item 19** of **Schedule 4** for the CTA and to replace it with a tariff of 'free'.

Item 5 of the Bill proposes to repeal item 50 of Schedule 4 of the CTA and to replace it with **new item 50**. This new item will provide that goods, to which, according to a Tariff Concession Order, item 50(1) in Schedule 4 of the CTA applies, attract a customs duty of 'free'. This general provision, however, does not apply to goods which are classified under heading 3819.00.00, ie. goods which can be classified as certain types of hydraulic brake fluids.[3] These goods will attract a customs duty of 'free' only if they have been exempt from the Product Stewardship Oil Levy by the Minister administering the Enviro*nment*

Protection and Biodiversity Conversation Act 1999. If this exemption has not been granted, the goods will still attract the Waste Oil Levy.

Should item 50 be passed as proposed, its scope will be much broader, encompassing goods which are currently covered item 50A in Schedule 4 of the CTA. As a result, current item 50A will become obsolete and consequently, **item 6** proposes to repeal this item.

Item 7 proposes to make transitional arrangements to preserve the applicability of the law as it currently stands to Tariff Concession Orders in effect prior to the passing of these amendments.

Concluding Comments

Financial impact of the proposed measures

The Explanatory Memorandum quantifies the financial impact of the above measures as follows:[4]

- Taxation of locally and imported grape wine products—whilst difficult to quantify, the government expects that the measure may result in a small increase in Government revenue
- Taxation of certain wine based cream beverages—the government expects the financial impact of this measure to be negligible, and
- Certain goods subject to Tariff Concession Orders—it is expected that this measure will result in a duty forgone amounting to:

2005-06	2007-08	2008-09
$290 million	$320 million	$340 million

Endnotes

1 Explanatory Memorandum to the Customs Tariff Amendment Bill (No. 2) 2005, p. 4.

2 ibid., p. 5.

3 Item 3819.00.00 applies to ‘Hydraulic brake fluids and other prepared liquids for hydraulic transmission, not containing or containing less than 70% by weight of petroleum oils or oils obtained from bituminous minerals’.

4 Explanatory Memorandum, op. cit., p. 2.

Members, Senators and Parliamentary staff can obtain further information from the Information and Research Services on (02) 6277 2699.