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## Customs Tariff Amendment (2007 Harmonized System Changes) Bill 2006

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## Customs Tariff Amendment (2007 Harmonized System Changes) Bill 2006

**Date introduced:** 7 September 2006

**House:** House of Representatives

**Portfolio:** Justice and Customs

**Commencement:** On Royal Assent

### Purpose

To amend various classifications of goods contained in schedules to the *Customs Tariff Act 1995*. The amendments result from agreed changes in the international Harmonized Commodity Description and Coding System.

### Background

The Harmonized System and the *Customs Tariff Act 1995*

According to the World Customs Organization, the international body responsible for the Harmonized Commodity Description and Coding System (the Harmonized System):

The Harmonized Commodity Description and Coding System, generally referred to as "Harmonized System" or simply "HS", is a multipurpose international product nomenclature developed by the World Customs Organization (WCO). It comprises about 5,000 commodity groups, each identified by a six digit code, arranged in a legal and logical structure and is supported by well-defined rules to achieve uniform classification. The system is used by more than 190 countries and economies as a basis for their Customs tariffs and for the collection of international trade statistics. Over 98% of the merchandise in international trade is classified in terms of the HS.

The HS contributes to the harmonization of Customs and trade procedures, and the non-documentary trade data interchange in connection with such procedures, thus reducing the costs related to international trade. It is also extensively used by governments, international organizations and the private sector for many other purposes such as internal taxes, trade policies, monitoring of controlled goods, rules of origin, freight tariffs, transport statistics, price monitoring, quota controls, compilation of national accounts, and economic research and analysis. The HS is thus a universal economic language and code for goods, and an indispensable tool for international trade.

The Harmonized System is governed by *The International Convention on the Harmonized Commodity Description and Coding System*.<sup>1</sup>

#### **Warning:**

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For the purposes of imports into Australia, the Harmonized System classifications of goods are reflected in Schedules to the *Customs Tariff Act 1995*. Each classification has a corresponding rate of applicable customs tariff – free, 5%, 10% etc.

The Harmonized System is reviewed approximately every 5 years by the World Customs Organization (WCO). The changes that are the subject of this Bill were adopted in mid 2004. Under the provisions of the *International Convention on the Harmonized Commodity Description and Coding System*, member countries may notify the WCO Secretary General of an objection to a Harmonized System change within six months of being officially notified of that change.<sup>2</sup> Neither the Explanatory Memorandum to the Bill nor the second reading speech provides any information about whether Australia did object.

The reasons for the changes fall into two main categories:

- technology changes, evolutions in trade patterns and various administrative updating; and
- to assist in the monitoring and control of various commodities to which various environmental and other international agreements apply.<sup>3</sup>

In respect of the second dot point, the Explanatory Memorandum notes that certain of the changes are designed in part to assist the international implementation of the *Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade* (the [Rotterdam Convention](#)). The emphasis of the Rotterdam Convention is the exchange of information between countries so that importing countries are fully aware of the potential hazards of importing certain chemicals and pesticides.<sup>4</sup> For example, **item 89** of the Bill creates a new classification category for Mercury compounds to assist in the tracking the export of such substances.

In terms of the possible effects of the Bill on Australian exports, the Attorney-General in his second reading speech stated:

While giving effect to the changes to the Harmonized System, the Customs Tariff Amendment (2007 Harmonized System Changes) Bill 2006 ensures, to the greatest extent possible, the preservation of existing duty rates and levels of tariff protection for Australian industries and margins of preference accorded to Australia's trading partners.<sup>5</sup>

The Explanatory Memorandum notes there are three commodity areas in which existing duty rates have been changed through the Bill.<sup>6</sup> These are for plywood and veneered panels containing bamboo, certain forms of carbonising paper, and adhesive paper. However, it appears that these goods are imported in small quantities - details are set out in page 3 in the Explanatory Memorandum.

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## Consequential changes relevant to the Australia-US Free Trade Agreement and the Thailand-Australia Free Trade Agreement

Under both the Australia-US Free Trade Agreement (AUSFTA) and Thailand-Australia Free Trade Agreement (TAFTA), there is no customs duty payable for imported goods originating in the United States or Thailand *unless* a rate of customs duty is specifically provided for the relevant goods.<sup>7</sup> Schedules 5 and 6 of the *Customs Tariff Act 1995* set out the rates for goods originating in these countries which are dutiable. The Bill ensures that the duty applicable to those products that are affected by the classification changes discussed above remain unchanged. According to the Explanatory Memorandum, this is ‘in accordance’ with the respective Free Trade Agreements.<sup>8</sup>

## Consultation

The Explanatory Memorandum states:

Extensive consultation has taken place with relevant Government Departments and, where necessary, with industry associations. As a result of these consultations, the Bill has been designed to give effect to the [Harmonized System] changes while maintaining, to the greatest extent possible, existing levels of tariff protection and margins of tariff preference accorded to Australia’s trading partners.<sup>9</sup>

## Financial implications

The Explanatory Memorandum states that the impact of the reductions in some duties is ‘negligible’.

## Main provisions

### Schedule 1 – Amendments

**Schedule 1** contains almost 600 items, almost all of which repeal or substitute new classification of goods for the purposes described in the background to this Digest.

**Item 599** provides that the effective date for the coming into force of the new classifications is 1 January 2007.

## Endnotes

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1. See [http://www.wcoomd.org/ie/En/Topics\\_Issues/HarmonizedSystem/hsconve2.html](http://www.wcoomd.org/ie/En/Topics_Issues/HarmonizedSystem/hsconve2.html).
  2. See [http://www.wcoomd.org/ie/En/Topics\\_Issues/HarmonizedSystem/HS2007-net-Eng.pdf](http://www.wcoomd.org/ie/En/Topics_Issues/HarmonizedSystem/HS2007-net-Eng.pdf).
  3. *ibid.*

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4. Explanatory Memorandum, pp. 3-4.
5. The Hon. Phillip Ruddock MP, House of Representatives, *Debates*, 7 September 2006, p. 2.
6. Explanatory Memorandum, p. 3.
7. Explanatory Memorandum, pp 93 and 100. Due the time available to draft this Digest, this has not been independently verified by the author of this Digest.
8. *ibid.*
9. Explanatory Memorandum, p. 2.

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