



Customs Tariff Amendment (Australia-Chile Free Trade Agreement Implementation) Bill 2008

Moira Coombs
Law and Bills Digest Section

Contents

Purpose	2
Background	2
The Two Customs Bills	2
Financial implications	3
Main provisions	3
Schedule 1 – Amendments to the Customs Tariff Act 1995	3
Harmonized Commodity Descriptions	4
New Schedule 7 – Chilean originating goods	5

Customs Tariff Amendment (Australia-Chile Free Trade Agreement Implementation) Bill 2008

Date introduced: 16 October 2008

House: Representatives

Portfolio: Home Affairs

Commencement: Sections 1 to 3 on Royal Assent, Schedule 1 on 1 January 2009 or when the Australia-Chile Free Trade Agreement comes into force, whichever is the later date. The Minister must announce by notice in the Gazette the day on which the Agreement comes into force for Australia. If the Agreement does not come into force in Australia the Bill does not commence at all.

Links: The [relevant links](#) to the Bill, Explanatory Memorandum and second reading speech can be accessed via BillsNet, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

Purpose

To amend the *Customs Tariff Act 1995* to implement the Australia-Chile Free Trade Agreement to provide for Free rates and preferential rates of customs duty on Chilean originating goods.

Background

The Two Customs Bills

This Bill together with Customs Amendment (Australia-Chile Free Trade Agreement Implementation) Bill 2008 will amend the *Customs Act 1901* and the *Customs Tariff Act 1995* to implement the provisions of the Australia-Chile Free Trade Agreement. The former Bill will amend the *Customs Act 1901* to insert a new Division 1F of Part VIII to define the new rules of origin for Chilean originating goods. This Bill proposes amendments to the *Customs Tariff Act 1995* to provide for Free rates and preferential rates of customs duty.

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.

Detailed background information to this Customs Bill can be found in the [Bills Digest](#) to the Customs Amendment (Australia-Chile Free Trade Agreement Implementation) Bill 2008.¹

Financial implications

The Explanatory Memorandum indicates that the customs duty forgone as a result of implementing the Agreement will be approximately:

- 2008-09 \$1.9 million
- 2009-2012 between \$4 million and \$4.5 million per year.

Main provisions

Schedule 1 – Amendments to the Customs Tariff Act 1995

Item 6 inserts proposed section 13D to provide that Chilean originating goods for the purposes of the *Customs Tariff Act 1995* are goods under Division 1F of Part VIII of the *Customs Act 1901* where the nature of Chilean originating goods is defined.

Section 16 of the *Customs Tariff Act 1995* is concerned with the calculation of duty. **Item 9, proposed paragraph 16(1)(m)** provides that if goods are Chilean originating goods and they can be classified to a heading or subheading in Schedule 3 to be found in column 2 in Schedule 7–Chilean originating goods then the rate of duty payable is determined from column 3 in the Schedule 7 table in relation to that classification. **Subparagraph 16(1)(m)(ii)** provides that all other Chilean originating goods are free.

Chile is listed as a developing country under Division 1 of Part 4 of Schedule 1 of the *Customs Tariff Act 1995*. **Item 10, proposed subsection 16(4)** provides that the duty to be applied to Chilean originating goods will be under paragraph 16(1)(m) and not paragraph 16(1)(g) as applied previously. In other words the rate of duty applicable to Chilean originating goods applies and not the developing country rate.

Item 14 amends existing subsection 18(2) and inserts **proposed paragraph 18(2)(m)** which provides that if goods are Chilean originating goods and the goods are subject to a concessional rate of duty, then the rate of duty specified in Schedule 4 for that concessional item will apply. If there is no rate specified, then it is Free. **Item 15** repeals subsections 18(3) and (4) and replaces them with **proposed subsection 18(3)**. Section 18 of the *Customs Tariff Act 1995* deals with the calculation of concessional duty rates. **Proposed subsection 18(3)** provides that where concessional rates of duty apply to a

1. Moira Coombs, 'Customs Amendment (Australia-Chile Free Trade Agreement Implementation) Bill 2008', *Bills Digest* no. 58, 2008–09, Parliamentary Library, Canberra.

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.

developing country under paragraph 18(2)(g) and another paragraph of section 18(2) also applies in relation to working out the duty for those goods then the other paragraph applies and not section 18(2)(g). An example is provided to illustrate how the subsection operates. The Explanatory Memorandum states that proposed “subsection 18(3) clarifies and extends the application of previous subsections 18(3) and (4) to all Developing Countries, including Chile and Thailand, with which Australia has a free trade agreement.”²

Harmonized Commodity Descriptions

Schedule 3 of the *Customs Tariff Act 1995* sets out the classification of goods and the general and special rates of duty applicable to goods imported into Australia. Schedule 3 states that the text in the schedule is based on the wording in the Harmonized Commodity Description and Coding System that is referred to in the International Convention on the Harmonized Commodity Description and Coding System done at Brussels on 14 June 1983.³

Below is an extract from Schedule 3 giving an example of the classification numbers of the Harmonized System. The classification numbers contained in the Proposed Schedule 7 refer to the classification numbers set out in Schedule 3.

Customs Tariff Act 1995

Schedule 3 Classification of goods and general and special rates of duty

Section XI Textiles and textile articles

Chapter 60 Knitted or crocheted fabrics

6003 KNITTED OR CROCHETED FABRICS OF A WIDTH
NOT EXCEEDING 30 cm, OTHER THAN THOSE OF
6001 OR 6002:

6003.10.00 -Of wool or fine animal hair	10%
	DC:5%
From 1 January 2005	7.5%
	DC:2.5%
From 1 January 2010	5%
6003.20.00 -Of cotton	10%
	DC:5%
From 1 January 2005	7.5%
	DC:2.5%
From 1 January 2010	5%

-
2. Explanatory Memorandum, Customs Tariff Amendment (Australia-Chile Free Trade Agreement Implementation) Bill 2008, p.7.
 3. Schedule 3—Classification of goods and general and special rates of duty, *Customs Tariff Act 1995*.

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.

New Schedule 7 – Chilean originating goods

Item 33 is the most substantive part of the Bill. It inserts **new Schedule 7 – Chilean originating goods** and incorporates the table of tariffs applicable to Chilean originating goods. The Schedule consists of Column 1 containing item numbers, Column 2 indicates the classification number in relation to the harmonized system, that is the heading and subheading of Schedule 3 in the *Customs Tariff Act 1995*. Column 3 sets out the rate of duty that will apply currently and the rates that will apply up to 2015. The Explanatory Memorandum provides explanations of the phasing rates of customs duty in Schedule 7 in relation to Chilean originating goods. In relation to the items referring to alcohol, tobacco and petroleum the Explanatory Memorandum states the following:

52. Items 3 to 119 of Schedule 7 impose customs duty on the alcohol, tobacco and petroleum products that are Chilean originating goods, at a rate that is equivalent to the excise duty imposed under the *Excise Tariff Act 1921*, on the same goods when domestically produced.

53. Customs Tariff Proposal (No. 1) 2008, tabled in the House of Representatives on 13 May 2008, contained alterations to the Customs Tariff to increase rates of customs duty for those tariff subheadings applicable to certain spirit based beverages with an alcohol content of less than 10%. These goods are commonly referred to as “alcopops”. The tariff subheadings affected are: 2203.00.31, 2204.10.23, 2204.10.83, 2204.21.30, 2204.29.30, 2205.10.30, 2205.90.30, 2206.00.52, 2206.00.62, 2206.00.92 and 2208.90.20.⁴

4. Explanatory Memorandum, Customs Tariff Amendment (Australia-Chile Free Trade Agreement Implementation) Bill 2008, p. 10.

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.

© Copyright Commonwealth of Australia

This work is copyright. Except to the extent of uses permitted by the *Copyright Act 1968*, no person may reproduce or transmit any part of this work by any process without the prior written consent of the Parliamentary Librarian. This requirement does not apply to members of the Parliament of Australia acting in the course of their official duties.

This work has been prepared to support the work of the Australian Parliament using information available at the time of production. The views expressed do not reflect an official position of the Parliamentary Library, nor do they constitute professional legal opinion.

Feedback is welcome and may be provided to: web.library@aph.gov.au. Any concerns or complaints should be directed to the Parliamentary Librarian. Parliamentary Library staff are available to discuss the contents of publications with Senators and Members and their staff. To access this service, clients may contact the author or the Library's Central Entry Point for referral.

Members, Senators and Parliamentary staff can obtain further information from the Parliamentary Library on (02) 6277 2784.

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.