



Customs Tariff Amendment (Carbon Pollution Reduction Scheme) Bill 2009

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Customs Tariff Amendment (Carbon Pollution Reduction Scheme) Bill 2009

Date introduced: 14 May 2009

House: House of Representatives

Portfolio: Home Affairs

Commencement: The main operative sections (Schedule 1) commence on 1 July 2011 provided that section 3 of the Carbon Pollution Reduction Scheme Act 2009 commences before 1 July 2011 All other sections commence on the day of Royal Assent.

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

The purpose of the Bill is to ensure that reductions in fuel excise, resulting from the government's commitment to cut fuel taxes to offset the initial effect on fuel prices of the Carbon Pollution Reduction Scheme (CPRS), also apply to the customs tariffs (duty) on imported fuels.

Background

The Rudd Government made the commitment to cut fuel taxes in its CPRS White Paper.¹ The government expects that the CPRS will result in higher fuel prices, and proposes to cut fuel taxes to offset the initial effects of the CPRS on prices. In essence, the proposal is a form of adjustment assistance to fuel users. The proposals to reduce fuel excise are contained in the Excise Tariff Amendment (Carbon Pollution Reduction Scheme) Bill 2009. For further background and information on the excise proposals, see the [Bills Digest](#) for that Bill.²

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1. Department of Climate Change, *Carbon Pollution Reduction Scheme: Australia's Low Pollution Future*, December 2008, pp. 17–16 and 17–17, viewed 28 May 2009, <http://www.climatechange.gov.au/whitepaper/report/index.html>.
 2. Richard Webb, Excise Tariff Amendment (Carbon Pollution Reduction Scheme) Bill 2009, Bills Digest, no. 146, 2008–09, Parliamentary Library, Canberra, 2009, <http://www.aph.gov.au/library/pubs/bd/2008-09/09bd146.pdf>.

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Tariffs (customs duties) on imports are set at the same levels as excises on comparable domestically-produced goods. A lower rate of excise than customs duty on a good would amount to ‘protection’ for local producers of that good. The Bill seeks to ensure that any excise reductions are also incorporated into reduced customs tariffs. As with the excise proposals, the Bill provides for:

- a reduction, on 1 July 2011, of 2.455 cents per litre in the general rate of customs duty on fuels (38.143 cents per litre) to 35.688 cents per litre for one year
- if warranted, further customs duty reductions on five ‘rate-reducing’ days with the first additional reduction beginning on 1 July 2012 and last on 1 July 2014, and
- the amount of the reductions will depend on how much emissions permit auction prices have increased.

This Bills Digest should be read in conjunction with the related [Bills Digest](#) for the Excise Tariff Amendment (Carbon Pollution Reduction Scheme) Bill 2009.

Details of the proposed Carbon Pollution Reduction Scheme are set out in the Bills Digest for Carbon Pollution Reduction Scheme Bill 2009.

Committee consideration

The Bill has been referred to the Senate Economics Legislation Committee for inquiry and report by 15 June 2009.³

Financial implications

The reductions in customs tariffs will reduce revenue. How much revenue will fall is not clear because the revenue effects are being recalculated following the Rudd Government’s decision to delay the implementation of the CPRS for a year and set the unit price of emissions at \$10 for one year.

Main provisions

Schedule 1 of the Bill amends the [Customs Tariff Act 1995](#) (the Customs Tariff Act).

Item 1 inserts a **new section 19A**. **Proposed subsection 19A(1)** provides for the substitution of a new customs tariff rate by allowing for, on a ‘*rate-reducing day*’,⁴ the

3. Details of the inquiry are available at:
http://www.aph.gov.au/senate/Committee/economics_ctte/cprs_2_09/index.htm

4. This term has the same meaning as in proposed section 6AA of the *Excise Tariff Act 1921*.

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lowering of an existing rate of customs duty (the ‘designated amount’) by the amount of a ‘rate reduction’.⁵

Proposed subsection 19A(2) defines ‘designated amount’ to mean \$0.35688 (that is, the amount from 1 July 2011): **paragraph 19A(2)(a)** or, if another amount has been previously substituted, that substituted amount: **paragraph 19A(2)(b)**. This means that, under **proposed paragraph 19A(2)(b)**, the designated amount can be an amount that was inserted on a rate-reducing day.

Proposed subsection 19A(3) provides for the alteration of the customs tariff rates applying to different fuels, as set out in various schedules of the Customs Tariff Act, in accordance with **proposed subsection 19A(2)**.

Item 2 contains bulk amendments which substitute the first revised rate (that is, the \$0.35688 per litre applying from 1 July 2011) into the customs tariff schedule which lists all the goods subject to duty and the respective rates of duty.

Item 3 is an applications provision which provides, for the absence of doubt, that the rate amendments in item 2 apply only to goods imported into Australia on or after 1 July 2011 and goods imported into Australia before that date where the time for working out the import duty on the goods had not occurred before that date.

5. This term has the same meaning as in proposed section 6AA of the *Excise Tariff Act 1921*.

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