



Customs Tariff Amendment Bill (No. 1) 2010

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Customs Tariff Amendment Bill (No. 1) 2010

Date introduced: 11 March 2010

House: House of Representatives

Portfolio: Home Affairs

Commencement: Sections 1 to 3 and Schedule 1, items 2 and 3: the day the Act receives Royal Assent. Schedule 1, item 1: 14 December 2009

Links: The [links](#) to the Bill, its Explanatory Memorandum and second reading speech can be found on the Bills page, 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 Bill amends the *Customs Tariff Act 1995* to incorporate end-dates for three concessional items in Schedule 4 which deals with concessional rates of duty.

Background

Redundant provision

Item 53C of Schedule 4 of the *Customs Act 1995* provides a mechanism to reduce the rate of customs duty from 10 per cent to 5 per cent for certain goods entering Australia on or after 1 January 2005. These goods are non-passenger motor vehicle (PMV) goods that are classified to the same tariff classifications as PMV parts and components. The rate of customs duty applicable to PMV parts and components was 10 per cent.

On 1 January 2010, the rate of customs duty on PMV parts and components fell to 5 per cent, making item 53C of Schedule 4 redundant from that date. As the proposed amendment to the *Customs Act 1995* will insert an end-date of 31 December 2009 and hence have a retrospective commencement, the Senate Standing Committee for the Scrutiny of Bills examined the proposed amendment and made the following comments:

Retrospective commencement

Clause 2, item 2 and Schedule 1, item 1

As a matter of practice, the Committee draws attention to any bill that seeks to have retrospective impact and will comment adversely where such a bill has a detrimental effect on people.

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These items relate to the commencement and completion dates of a mechanism in item 53C in Part III of Schedule 4 to the *Customs Tariff Act 1995* to reduce the general rate of customs duty from 10% to 5% for certain goods for home consumption. They initially appear to have a retrospective effect because Clause 2, item 2 provides that the commencement date of Schedule 1, item 1 is 14 December 2009 and Schedule 1, item 1 provides for a commencement date of the mechanism of 1 January 2005 and a completion date of 31 December 2009. However, there is no detrimental result because this is essentially a technical amendment giving effect to Customs Notice (No. 3) 2009 published in Special Commonwealth *Gazette* S213 of 14 December 2009. In addition, the Committee notes from the Explanatory Memorandum that the general rate of the relevant customs duty fell to 5% from 1 January 2010 (see pages 4 and 5 of the Explanatory Memorandum).¹

Clothing and Household Textile Building Innovative Capability Scheme

On 12 May 2009, the Government announced a retargeted Textile, Clothing and Footwear (TCF) assistance package from 2009-2010 to 2015-2016. Under the package, the Clothing and Household Textile Building Innovative Capability scheme would replace the TCF Post-2005 (SIP) Scheme from the Scheme's 2010-2011 program year. The new package redirected \$55 million towards innovation, mainly to the clothing and household textile sectors, with \$25 million in additional funding. The package also included a new TCF Strategic Capability program to support innovative capability in the TCF industries.²

As recommended in the review of the TCF industry by Professor Roy Green, *Building Innovative Capability*, the new package would be partially funded by discontinuing the TCF Product Diversification Scheme (PDS) and not proceeding with the TCF Supply Chain Opportunities Program. The PDS applied to the clothing and finished textile sectors and was legislated to continue until 30 June 2017. The principal legislation implementing the new TCF assistance package, the Textile, Clothing and Footwear Strategic Investment Program Amendment (Building Innovative Capability) Bill 2009, was passed by the Senate on 18 March 2010 with two amendments which were agreed to by the House of Representatives on 18 March 2010.³

TCF Expanded Overseas Assembly Provisions Scheme

The TCF Expanded Overseas Assembly Provisions Scheme (EOAP) commenced on 9 June 1999 and provides assistance, through duty concessions, to firms that assemble clothing and footwear overseas from predominantly Australian-made fabric and leather, and then import them back into the Australian market. Since the EOAP began the duty or revenue forgone has totalled \$40 million, with annual duty foregone of approximately \$3 million.

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1. Senate Standing Committee for the Scrutiny of Bills, [Alert Digest, No. 4 of 2010](#), pp. 1-2.
 2. See Textile, Clothing and Footwear Strategic Investment Program Amendment (Building Innovative Capability) Bill 2009, [Bills Digest No. 92, 2009-10](#), pp. 2-3.
 3. The Bill has not been assented to as yet by the Governor-General.

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The EOAP was scheduled to expire in 2005 but was extended under the TCF Post-2005 Assistance Package announced by the Howard Government in November 2003. However, there has only been limited use of the EOAP in recent years as TCF tariffs have fallen and the EOAP is scheduled to conclude on 30 June 2010. In his review of the TCF industry, Professor Green gave the following assessment of the EOAP:

It has generated a pull-through of Australian-made fabric and leather for firms assembling clothing and footwear offshore and bringing them back for domestic consumption. However, because of the reducing rate of tariffs for the finished product, the value of the scheme is declining.⁴

TCF tariffs

As from 1 January 2010, two different tariff rates apply across a range of TCF goods:

- 10 per cent for clothing and for certain finished and household textiles (these items make up the bulk of TCF imports), and
- 5 per cent for cotton sheeting, woven fabrics, sleeping bags, table linen, tea towels, carpets, footwear, textile yarns, sewing threads and finished leather.

Australian tariff rates: TCF items (all rates expressed as per cent of value)

	Clothing, finished textiles, household textiles	Cotton sheeting, woven fabrics	Sleeping bags, table linen	Carpets	Footwear	Footwear parts	Other*
2005–09	17.5	10	7.5	10	10	7.5	5
2010	10	5	5	5	5	5	5
2015	5	5	5	5	5	5	5

* Textile yarns.

Source: *Parliamentary Library*

Main provisions

Schedule 1 – Customs Tariff Act 1995

Item 1 inserts an end-date of 31 December 2009 into item 53C of Schedule 4 so that the current rate of customs duty of 5 per cent, which is applicable to passenger motor vehicle (PMV) parts and components, is the same as the rate of customs duty for certain non-PMV goods.

4. *Building Innovative Capability: Review of the Australian Textile, Clothing and Footwear Industries*, Volume 1, Canberra, 2008, p. 75, viewed 22 March 2010, http://www.innovation.gov.au/tcfreview/Documents/401_TCFreviewvol1.pdf

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Item 2 inserts an end-date of 30 June 2010 into item 61 of Schedule 4 to provide for the expiry of the EOAP.

Item 3 amends the end-date of item 73 of Schedule 4 from 30 June 2017 to 30 June 2011 to provide for the early cessation of the TCF Product Diversification Scheme.

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