Australian Customs Notice 1998 38

**Removal of tariffs on certain inputs to the manufacture of information industries equipment - item 65**

## Background

On 8 December 1997, the Prime Minister, the Hon John Howard MP, announced as part of the *Investing for Growth* Industry Statement that the Government would remove tariffs on certain inputs to the manufacture of information industries equipment. After consulting with local suppliers to assess the likely impact on them, the Government's initiative was incorporated in Customs Tariff Proposal No. 3 (1998), which was tabled in the House of Representatives on 14 May 1998. The changes are operative from 1 July 1998.

The Proposal changes Schedule 3 to the *Customs Tariff Act 1995* to bring forward the phasing of duty rates introduced for the Information Technology Agreement (see Australian Customs Notice (ACN) 97/50) with exclusions for goods which are considered to be complete goods (see Attachment C to this ACN).

The Proposal also creates *Item 65* in Part III of Schedule 4 to the *Customs Tariff Act 1995*. *Item 65* provides for the duty free entry of:

# "Goods the subject of a Commercial Tariff Concession Order or a Tariff Concession Order, the number of which is as prescribed by by-law, that are inputs to the manufacture of information industries equipment, as prescribed by by-law".

This concession applies to inputs that are subject to a current Commercial Tariff Concession Order (CTCO) or Tariff Concession Order (TCO). Duty free entry will apply to goods covered by CTCOs and TCOs the numbers of which are prescribed for the purposes of *Item 65*.

This ACN provides information to assist importers and their representatives to correctly enter goods under Item 65.

## Coverage of Item 65

*Item 65* covers goods, being inputs, that are an integral part of the manufacturing process for information industries equipment. Goods that are incorporated into the equipment or consumed during the manufacture of the equipment are covered by the Item. In addition, capital equipment utilised in the manufacturing process is eligible for concessional entry under *Item 65*.

This measure is intended to assist the manufacture of information industries equipment in Australia. It is recognised, however, that other sectors may also benefit if they use goods that will be covered by this Item. To contain the impact to the area of the Government's policy intent (manufacture of information industries equipment) inputs should be either:

* 1. used principally in the manufacture of information industries equipment in Australia; or
  2. if used more widely, represent a significant cost component in the manufacture of information industries equipment in Australia.

*Item 65* coverage does not extend to handtools, such as crimping tools, wire stripping pliers, torque screwdrivers etc which, whilst used in the manufacture of information industries equipment, and have a CTCO or TCO, do not comply with the definition of inputs set out above.

Information industries equipment is that equipment listed by tariff classification in the by-law prescribed to *Item 65*. This list of information industries equipment is derived from the Information Technology Agreement (ITA) and a report released by the Industry Commission in 1996 titled *Mapping the Information Industries*.

## Eligibility for Item 65

To be eligible to use *Item 65*, goods must be covered by a current CTCO or TCO that is listed in the prevailing by-laws applicable to *Item 65*. At the time of preparation of this Notice Customs By-law Number 9840015 prescribed the following CTCO and TCO numbers:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 8333813 | 8439820 | 8802747 | 9304650 | 9604866 |
| 8341914 | 8439862 | 8808122 | 9308114 | 9604889 |
| 8342710 | 8530587 | 8808196 | 9308138 | 9604892 |
| 8342777 | 8530772 | 8809072 | 9308709 | 9607080 |
| 8432719 | 8530773 | 8902660 | 9310250 | 9610038 |
| 8438039 | 8532682 | 8903524 | 9312537 | 9611237 |
| 8438040 | 8533840 | 8908625 | 9403546 | 9700997 |
| 8438118 | 8633665 | 8908626 | 9500424 | 9701624 |
| 8438316 | 8634290 | 8908635 | 9501331 | 9701683 |
| 8438396 | 8733723 | 8909066 | 9511051 | 9703899 |
| 8438464 | 8734320 | 9004832 | 9511526 | 9706648 |
| 8438500 | 8734425 | 9007140 | 9601879 | 9800084 |
| 8438513 | 8734467 | 9107564 | 9602459 |  |
| 8438523 | 8735664 | 9108297 | 9603018 |  |
| 8439763 | 8736109 | 9204965 | 9603454 |  |

Any additions to the above list will be incorporated into subsequent amending by-laws. Information industries equipment is prescribed in the by-law as:

"

1. word processing machines of 8469.11.00;
2. goods of 8470;
3. goods of 8471;
4. other office machines of 8472.90.90;
5. electrical apparatus of 8517;
6. microphones for telecommunications use of 8518.10.10;
7. loudspeakers for telecommunications use of 8518.29.10;
8. line telephone handsets of 8518.30.10;
9. telephone answering machines of 8520.20.00;
10. goods for radio-telephony, radio telegraphy and paging alert devices of 8525.10.10;
11. apparatus of 8525.20.00;
12. digital still image video cameras of 8525.40.10;
13. portable receivers for calling, alerting or paging of 8527.90.10;
14. printed circuits of 8534.00.00;
15. electronic integrated circuits and microassemblies of 8542;

q. goods of 8544.41.30, 8544.49.30 or 8544.51.10;

r. optical fibre cables of 8544.70.00;

s. photocopying apparatus of 9009".

## Addition of CTCOs and TCOs under Item 65

In the case of existing CTCOs and TCOs that might be considered to meet the terms and policy intent of *Item 65* and the by-law, an application to have such instruments considered for coverage by *Item 65* should be lodged with the Department of Industry, Science and Tourism (DIST) at the address below. Applications should include the CTCO or TCO number and the wording of the instrument. In the case of applications for new TCOs that are considered to meet the terms and policy intent of *Item 65*, an application should be lodged with DIST to have that TCO, if granted, included under *Item 65*. In such instances a copy of the TCO application together with relevant information detailed below should be sent to DIST at the same time as the TCO application is made to Customs.

DIST will consider the application and prepare a draft report recommending that the goods meet the policy intent of *Item 65*, or recommending that the goods do not meet the policy intent of *Item 65*. DIST may recommend a date of effect for the concession, if granted. The applicant will be furnished with a copy of DIST's report and will have 28 days from the date of that report to make any further submissions to DIST. The final report will be provided to Customs for a decision on eligibility under *Item 65*.

Customs will make a final decision on the application having taken into account the recommendation of DIST and the information provided to DIST by the applicant. If the application is approved the instrument number will be included in an appropriate by-law together with the date of effect of its eligibility.

## Information required to assess an application for inclusion under Item 65

An application for inclusion of additional concession orders will need to contain sufficient material for an assessment to be made against the terms of the Item - inputs to manufacture of information industries equipment. Although in most cases it is envisaged that applicants will be able to provide adequate written information to allow an assessment, there may be a need to physically inspect the manufacture of the goods where it is believed this is needed to verify the *bona fides* of the inclusion. The following information should be included:

* 1. Copy of the CTCO/TCO or application for a TCO;
  2. Description of the information industries equipment (including the tariff classification) for which the good is an input to manufacture;
  3. Brief description of how the good will be used as an input to the manufacture of the equipment;
  4. An assessment of whether the good's principal use is in the manufacture of information industries equipment or of its significance as a cost component of manufacture;
  5. Name and contact details of the manufacturer; and
  6. When available, a copy of the TCO Application Acceptance letter from Customs which contains the TCO reference number. This information should be sent to:

# The Manager

*IT Industries Development Section Department of Industry, Science and Tourism GPO Box 9839*

# CANBERRA ACT 2601

*Tel: (02) 6213 7162 Fax: (02) 6213 7252*

## Entry Processing Procedures

Where an importer intends to utilise the benefits of *Item 65*, the by-law number will not need to be cited on the Customs import entry. However, it will be necessary to cite the relevant Item 65 treatment code (465). Citing this treatment code will then require a relevant CTCO or TCO number to be quoted.

## Tariff changes resulting from the Information Technology Agreement

A number of tariff changes have resulted from the Information Technology Agreement. A concordance of the tariff subheadings affected by these changes is at [Attachment A](https://borderauthor.border.gov.au/Busi/Cust/Aust/Australian-Customs-Notice-1998-38-A)to this ACN. [Attachment B](https://borderauthor.border.gov.au/Busi/Cust/Aust/Australian-Customs-Notice-1998-38-B) contains a list of tariff subheadings that, as a result of the Agreement, reduce to a free rate of duty on I July 1998. Also contained in this attachment is a list of the Customs Tariff reprint pages issued in conjunction with these changes. [Attachment C](https://borderauthor.border.gov.au/Busi/Cust/Aust/Australian-Customs-Notice-1998-38-C) contains a listing of those finished or complete goods that are excluded from tariff rate reduction.

## Inquiries

Queries on the eligibility of particular goods to meet the terms and policy intent of *Item 65* should be made to DIST, where the relevant contact officer is Manager, IT Industries Development Section, telephone (02) 6213 7162.

Any other *Item 65* inquiries should be directed to Customs, to Assistant Director, Policy By-laws Section, telephone (02) 6275 6474.

Queries that relate to the tariff changes should be directed to Customs, to Mr Nick Blackaby, Tariff Legislation, telephone (02) 6275 6506 and facsimile (02) 6275 6471.

MARION GRANT

National Manager Industry

FOR CHIEF EXECUTIVE OFFICER CANBERRA ACT

June 1998