Australian Customs Notice 1997 68

**COMPLIANCE WITH SCHEDULE 4 TARIFF ITEMS**

The purpose of this notice is to inform importers and customs brokers about compliance concerns involving the entry of goods under certain items of Schedule 4 to the Customs Tariff Act 1995.

An examination of the use of Schedule 4 items over several months has been conducted to determine the level of compliance. Results from this examination follow.

# Item 17 (re-introduced goods)

A significant proportion of entries using Item 17 were found to be in error.

1. The most frequent error was use of Item 17 for goods imported for repair in Australia and then re-exported - such goods should properly be entered under Item 21. It became apparent that Item 17 was being used for convenience to overcome the security requirement of Item 21. As a result of this finding, Item 21 was amended in October last year to include a new treatment code (521) to remove the requirement for a security for goods of Australian origin.
2. The re-introduction of opals and other gemstones using Item 17 incorrectly was also identified as an area of non-compliance. Consignments were found to have been entered under Item 17 on their return to Australia after the goods had been further worked overseas (e.g. cutting and polishing). Under such circumstances the goods should have been entered under their substantive Schedule 3 classification.
3. Sales tax concerns were also identified with re-introduced opals and gemstones. On re-importation these goods have a sales tax liability but instances were found where clearance had been sought without a sales tax certificate being quoted or sales tax having been paid.

# Items 18A, 18B, 19, 20A and 21 (warranty repair/replacement, and, repair and return goods)

Significant errors were found in usage of Item 18A (warranty repaired goods) and Item 18B (warranty replacement goods). The errors included:

value of repairs not provided no evidence of warranty, and sales tax incorrectly assessed.

# Item 53 (Concessional entry for certain goods normally attracting 15% general rate)

Widespread misuse of this item was found. Of particular concern is that many of the errors were of a fundamental nature in that Schedule 3 subheadings were quoted which are specifically identified as exclusions from treatment code 653.

# Item 59 (certain used and second-hand motor vehicles)

In several instances the age of motor vehicles was found to be overstated. Several cases of undervaluation were also found. Prestige vehicles shipped from Hong Kong predominated.

# Future Activity

Customs is concerned about the level of non-compliance in these areas and will be conducting comprehensive audits with a view to undertaking recovery and possible penalty action in cases of misuse. The high level of incorrect entry of goods found also has implications for trade statistics. Importers and their brokers should pay particular attention to these items and ensure that past errors are rectified and that future shipments are correctly entered.

Any enquiries regarding this notice may be directed to **Mr Malcolm Graham** in Sydney on Ph 02 9213 2945 David Widdowson

National Manager

Commercial Compliance

for Chief Executive Officer August 1997

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