

GENERAL AGREEMENT
ON TARIFFS AND
TRADE

ACCORD GENERAL SUR
LES TARIFS DOUANIERS
ET LE COMMERCE

RESTRICTED

Limited B
GATT/OP.3/13
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ORIGINAL: ENGLISH

Contracting Parties
Third Session

PROPOSED REPLACEMENT OF SCHEDULE I - STATEMENT BY THE DELEGATION
OF AUSTRALIA

For many years prior to the Geneva Tariff negotiations the Australian Government had wished to revise the value for duty provisions in the Australian customs laws, for the purpose of remedying some anomalous situations which resulted from the continued use of outdated value for duty provisions. It also wished to effect the revision without changing the actual incidence of the Customs Tariff. Attainment of the second objective required appropriate revision of the Customs Tariff Schedule wherever a customs duty was based upon value and implied a very extensive revision of legal tariff rates concurrently with the entry into force of the revised value for duty laws.

2. The implementation of the results of the first series of tariff negotiations at Geneva in 1947 also necessitated many variations in the rates of duty imposed under the Australian Customs Tariff.

3. In Australia an alteration in a rate of duty requires the approval of the legislature. The Australian Government therefore decided that the arrangements for obtaining the necessary legislative approval should be such as to produce simultaneously a revised schedule embodying the alterations necessitated by the tariff negotiations at Geneva and those necessitated by the change in the value for duty basis.

4. The alteration in the Australian value for duty basis which became effective on 14th November, 1947 means that the revised rates of duty which also became effective on the same date do not correspond with the rates of duty shown in Schedule I of the General Agreement on Tariffs and Trade although for all practical purposes their incidence is the same.

5. Australia will participate in the second series of Tariff negotiations to commence at Annecy on 11th April, 1949. The procedural arrangements contemplate the incorporation of the results of this second series of tariff negotiations into the General Agreement on Tariffs and Trade. It seems possible that if a schedule incorporating maximum rates of duty negotiated at Annecy under the new Australian Tariff containing rates of duty adjusted to the revised value for duty basis is appended to the existing Australian Schedule in the General Agreement in which rates appropriate to the old value for duty basis are embodied, some confusion is likely to arise.

6. To remove the possibility of confusion later, the Australian Delegation desires to substitute a revised schedule for the present Australian Schedule to the General Agreement.

Second kind of alteration

7. In addition to the amendments in ad valorem rates of duty necessitated by the change in the value for duty basis, changes in the wording of items (i.e. in the value bracket) have been necessary wherever a duty is based on value for duty. For example, on silk piece goods (Item 105D2) where one rate of duty is imposed on silk which does not exceed a specified value per square yard and a different rate of duty is imposed if the silk exceeds the specified value per square yard.

8. The revised schedule aims to effect changes of this kind without altering the actual incidence of the tariff except that

we have followed the practice of adjusting the value bracket to the nearest round figure rather than introduce awkward fractions in the value bracket.

Third kind of alteration

9. The proposed new Australian Schedule to G.A.T.T. contains a small number of miscellaneous amendments which are not connected with the alteration in the value for duty basis. They arise from various causes. Their nature may be explained briefly as follows:

10. In carrying out the comprehensive revision of the Tariff Schedule which was necessary to implement the tariff concessions made by Australia in the Geneva negotiations the opportunity was seized to tidy up the Australian Tariff Schedule to a certain extent. The tidying resulted in a number of changes in the consecutive enumeration of goods in the Tariff Schedule and a consequent re-numbering of a number of items (particularly parts of items) on which concessions were made at Geneva. We felt that it would be desirable for all concerned if we adapted the proposed new Schedule I to G.A.T.T. to the numbering in the Australian Tariff Schedule as it stands to-day.

11. The re-numbering of items in no way changes our original contractual obligations. It merely enables all interested parties more readily to relate Australia's obligations under G.A.T.T. to the legal tariff now in force in Australia or vice versa.

Fourth kind of alteration

12. Finally the revised Schedule includes one or two amendments which aim to rectify errors of omission on the part of officers responsible for the compilation and checking of our original schedule to G.A.T.T. The amendments which we propose in these cases are comparable with amendments previously dealt with in the series of Protocols of Rectification. We propose that the suggested

rectifications of the latter kind should be first discussed with the country with which the item was directly negotiated.

13. At Annecy we shall circulate a complete new schedule showing -

(a) the wording, numbering and rates in the original G.A.T.T. Schedule;

(b) the proposed new wording, numbering and rates;

(c) a brief comment on each item; and

(d) the name of the country or countries with which each concession was initially negotiated.

14. A photostat copy of the proposed new schedule containing brief notes in explanation of each change will be available for each Delegation when they arrive from Australia in a few days time.

ANNEX 'A'

1. Prior to the recent revision, the Australian Customs law relating to value for duty read as follows:-

"When any duty is imposed according to value, the value for duty shall be the sum of the following -

(a) (i) the actual money price paid or to be paid for the goods by the Australian importer plus any special deduction, or

(ii) the current domestic value of the goods, whichever is the higher;

(b) all charges payable or ordinarily payable for placing the goods free on board at the port of export; and

(c) ten per centum of the amounts specified under paragraphs (a) and (b).

2. Furthermore, as a result of a judicial decision it has, for many years, been Australian practice, in the case of goods subject to ad valorem rates of duty, to use English currency values (as

distinct from Australian currency values) to ascertain the value for duty. That is to say, the value for duty expressed in foreign currency was converted to an equivalent value in English currency and not to an equivalent value in Australian currency for purposes of determining the value for duty. However the sum arrived at in levying an ad valorem rate of duty on the value for duty converted to English currency was collected in Australian currency. For example a duty of 10% ad valorem on goods valued for duty at £100 (English) amounted to £10 (Australian).

3. The rates of duty shown in Schedule I of the General Agreement were based on the foregoing practices and provisions of the law.

4. The Customs law has since been changed to provide as follows:

A. "when any duty is imposed according to value, the value for duty shall be the sum of the following -

(a) (i) the actual money price paid or to be paid for the goods by the Australian importer plus any special deduction, or

(ii) the current domestic value of the goods, whichever is the higher; and

(b) all charges payable or ordinarily payable for placing the goods free on board at the port of export".

B. "Where any amount which is under any other provision of the law required to be taken into account for the purpose of ascertaining the value for duty of any goods is not an amount in Australian currency the amount to be so taken into account shall be the equivalent in Australian currency of that amount ascertained according to a fair rate of exchange at the date of exportation of the goods".

5. To appreciate the significance of the alteration in the law it is necessary to appreciate -

(a) that £100 (English) is equivalent to £125 (Australian)

(b) that prior to the recent revision of the Customs law duty was levied on f.o.b. (free on board) values plus 10% whereas, under the revised law, duty is levied on the f.o.b. value without any addition.

6. Calculations will show that if the change in the value for duty system was to be effected without effect on the amount of duty payable, all ad valorem rates based on the old value for duty system must be reduced to a figure 12% lower than the old rate of duty.

7. Whilst the principle of reducing old rates by 12% was adopted in the adjustment of tariff rates rigid adherence to the principle would have meant the introduction of awkward fractional rates of duty throughout a large part of the Tariff Schedule.

8. To obviate that undesirable result all ad valorem rates were brought to the nearest multiple of $2\frac{1}{2}\%$. A table is attached (Annex B) showing -

- (a) the fractional rates of duty which it would have been necessary to adopt to maintain old rates exactly at their former incidence,
- (b) the revised rate of duty actually adopted in lieu of the fractional rates,
- (c) the degree to which the rates actually adopted represent increases or decreases in the incidence of the Tariff.

9. The system of adjusting each exact equivalent of an old rate of duty to the nearest multiple of $2\frac{1}{2}\%$ means, of course, that some duties now have a slightly higher incidence than the exact equivalent of the old rate and that others have a slightly lower incidence. It will be observed that in no case can the variation from the exact equivalent of the old rate exceed 1.2% and that the

slight excesses are cancelled out by the slight reductions or vice versa.

10. Adjustment of rates to the nearest multiple of $2\frac{1}{2}\%$ ad valorem also means that the current margins of preference do not correspond exactly with the margins which would have existed if the old value for duty system had been retained. On some items the current margin is a little higher. On other items the margin is a little lower. The difference may range from 0.1% ad val. to 2.4% ad val. The extent of the difference in each instance depends upon the level of the revised preferential and m.f.n. rates established on the particular item in following the principle of adjusting each revised rate of duty to the nearest multiple of $2\frac{1}{2}\%$ ad. val.

11. To facilitate an appreciation of the effect of the changes in the value for duty system and the associated revision of tariff rates the following data showing the position with respect to a parcel of goods having an invoice value (f.o.b.) of £100 (English) or £125 (Australian) is included.

First example

Rate of duty (old v.f.d. basis)	25% ad val.
Duty of 25% on £E100 plus £10	£A 27/10/-
Exact equivalent (new v.f.d. basis) of duty of 25% (old basis)	22% ad val.
Duty payable @ 22% (new basis), i.e. 22% of £A125	£A 27/10/-
Rate of duty (new basis) when rate is adjusted to nearest multiple of $2\frac{1}{2}\%$	$22\frac{1}{2}\%$
Duty of $22\frac{1}{2}\%$ on £A.125	£A 28/2/6
<u>Increase</u> in amount of duty payable	£A -/12/6

Second example

Rate of duty (old v.f.d. basis)	37½% ad val.
Duty of 37½% on £E100 plus £10	£A 41/5/-
Exact equivalent (new v.f.d. basis) of duty of 38½% (old basis)	33% ad val.
Duty payable @ 33% (new basis) i.e. 33% of £A125	£A41/5/-
Rate of duty (new basis) when rate is adjusted to nearest multiple of 2½%	32½% ad val.
Duty of 32½% on £A.125	£A.40/12/6
<u>Decrease</u> in amount of duty payable	£A.-/12/6

Rate under old Value for Duty.	Strict equivalent under new V.F.D.	New rate adjusted to nearest 2½%	Amount of increase in (3) over (2)	Amount of decrease in (3) below (2)
1¼%	1.1%	Free	-	1.1%
2¼%	2.2%	2½%	.3%	-
3¼%	3.3%	2½%	-	.8%
5%	4.4%	5%	.6%	-
6¼%	5.5%	5%	-	.5%
7¼%	6.6%	7½%	.9%	-
8¼%	7.7%	7½%	-	.2%
10%	8.8%	10%	1.2%	-
11¼%	9.9%	10%	.1%	-
12¼%	11%	10%	-	1.0%
13¼%	12.1%	12½%	.4%	-
15%	13.2%	12½%	-	.7%
16¼%	14.3%	15%	.7%	-
17¼%	15.4%	15%	-	.4%
18¼%	16.5%	17½%	1.0%	-
20%	17.6%	17½%	-	.1%
21¼%	18.7%	17½%	-	1.2%
22¼%	19.8%	20%	.2%	-
23¼%	20.9%	20%	-	.9%
25%	22%	22½%	.5%	-
26¼%	23.1%	22½%	-	.6%
27¼%	24.2%	25%	.8%	-
28¼%	25.3%	25%	-	.3%
30%	26.4%	27½%	1.1%	-
31¼%	27.5%	27½%	-	-
32¼%	28.6%	27½%	-	1.1%
33¼%	29.7%	30%	.3%	-
35%	30.8%	30%	-	.8%
36¼%	31.9%	32½%	.6%	-
37¼%	33%	32½%	-	.5%
38¼%	34.1%	35%	.9%	-
40%	35.2%	35%	-	.2%
41¼%	36.3%	37½%	1.2%	-
42¼%	37.4%	37½%	.1%	-
43¼%	38.5%	37½%	-	1.0%
45%	39.6%	40%	.4%	-
46¼%	40.7%	40%	-	.7%
47¼%	41.8%	42½%	.7%	-
48¼%	42.9%	42½%	-	.4%
50%	44%	45%	1.0%	-
51¼%	45.1%	45%	-	.1%
52¼%	46.2%	45%	-	1.2%
53¼%	47.3%	47½%	.2%	-
55%	48.4%	47½%	-	9 %
56¼%	49.5%	50%	5%	-
57¼%	50.6%	50%	-	.6%
58¼%	51.7%	52½%	.8%	-
60%	52.8%	52½%	-	.3%
61¼%	53.9%	55%	1.1%	-
62¼%	55%	55%	-	-

