

Customs (Rates of Duty) (Amendment) Bill 2012

EXPLANATORY MEMORANDUM

BACKGROUND AND OBJECTIVES

The *Customs (Rates of Duty) (Amendment) Bill 2012* seeks to amend Schedule 2 to the *Customs (Rates of Duty) Act 2010* (the Act) to reduce the rate of customs duty on certain types of vehicle.

The key objective of the proposed amendments to the Act is to make transport more affordable for people in Nauru.

The Bill proposes to reduce the rate of customs duty from 25% of the value of the goods, down to 10% of the value of the goods, for the following types of vehicle:

- motor cycles with a cylinder capacity not exceeding 250cc
- motor vehicles with a cylinder capacity not exceeding 3000cc
- motor vehicles for the transport of ten or more persons, including the driver (minivans and buses).

The rate of customs duty on other vehicles (bikes over 250cc, cars over 3000cc, heavy machinery such as excavators, etc) and on parts and accessories for bikes, cars and other vehicles would remain at its present level of 25% of the value of the goods.

The proposed amendments have the benefit not only of making regular transport more affordable by reducing the rate of customs duty, but also of providing a tax incentive for people to import forms of transport that are relatively efficient in fuel consumption and therefore cheaper to run and more environmentally friendly. This is why the customs duty is being significantly reduced for vehicles with small engines, and for vehicles that can carry 10 or more persons, but is remaining the same for larger, more environmentally damaging vehicles.

NOTES ON CLAUSES

Clause 1 is a standard provision, providing the short title by which the Act may be cited: the *Customs (Rates of Duty) (Amendment) Act 2012*.

Clause 2 provides that the Act will commence 7 days after it receives the certificate of the Speaker under Article 47. The slight delay in commencement means that there will be sufficient time for customs officers to be instructed in the changes to the Act, in order that they can properly administer the changes.

Clause 3 provides that the Schedule has the effect of amending the *Customs (Rates of Duty) Act 2010*.

SCHEDULE – Amending item [1] omits four rows from Schedule 2 of the Act and substitutes 4 new rows with some modification of the goods listed, omitting certain goods that are currently listed as being subject to 25% customs duty.

The Schedules to the *Customs (Rates of Duty) Act 2010* specify the rate of customs duty on different classes of goods by reference to codes from the Harmonised System, or ‘HS’. This is an internationally-adopted system of codes for the classification of goods for customs purposes. Use of the Harmonised System allows customs officers and importers to more easily ascertain the rate of duty leviable in respect of goods imported into Nauru.

The amendments proposed to Schedule 2 of the Act would **remove** the following HS codes from the 25% duty category:

Motorcycles:

- HSC 8711.10 – motorcycles (including mopeds) with reciprocating internal combustion piston engine of a cylinder capacity not exceeding 50 cc
- HSC 8711.20 – motorcycles (including mopeds) with reciprocating internal combustion piston engine of a cylinder capacity exceeding 50 cc but not exceeding 250 cc

Motor vehicles (motor cars and other vehicles principally designed for the transport of persons (other than minivans and buses):

- HSC 8703.21 – vehicles with spark-ignition internal combustion reciprocating piston engine of a cylinder capacity not exceeding 1,000 cc
- HSC 8703.22 – vehicles with spark-ignition internal combustion reciprocating piston engine of a cylinder capacity exceeding 1,000 cc but not exceeding 1,500 cc
- HSC 8703.23 – vehicles with spark-ignition internal combustion reciprocating piston engine of a cylinder capacity exceeding 1,500 cc but not exceeding 3,000 cc
- HSC 8703.31 – other vehicles, with compression-ignition internal combustion piston engine (diesel or semi-diesel) of a cylinder capacity not exceeding 1,500 cc
- HSC 8703.32 – other vehicles, with compression-ignition internal combustion piston engine (diesel or semi-diesel) of a cylinder capacity exceeding 1,500 cc but not exceeding 2,500 cc
- HSC 8703.33 – other vehicles, with compression-ignition internal combustion piston engine (diesel or semi-diesel) of a cylinder capacity exceeding 2,500 cc will remain in the 25% with a qualification, so that the 25% only applies to goods in this category that exceed 3,000 cc (vehicles in this category between 2,500 cc and 3,000 cc will be subject to 10% customs duty, rather than 25%).

Buses and minivans (Motor vehicles for the transport of ten or more persons, including the driver):

- HSC 8702.10 – with compression-ignition internal combustion piston engine (diesel or semi-diesel)
- HSC 8702.90 – other.

The effect of removing these HSC codes from the 25% category in Schedule 2, and not inserting them in any other place, is that these goods would then fall into the 'All other goods' category in the bottom row of Schedule 2, and therefore would be subject to a reduced rate of 10% customs duty.

Attached to this explanatory memorandum is a copy of existing Schedule 2 to the Act, with the amendments proposed by the *Customs (Rates of Duty) (Amendment) Bill 2012* tracked.

SCHEDULE 2

Section 6

Rates of duty

Dutiable goods	Rate of duty
Sugar and products containing added sugar, classified under HSC 0402.29; 0402.99; 0403.10; 0403.90; 0404.10; 0404.90; 0410.00; 1701.11; 1701.12; 1701.91; 1701.99; 1702.11; 1702.19; 1702.20; 1702.30; 1702.40; 1702.50; 1702.60; 1702.90; 1703.10; 1703.90; 1704.10; 1704.90; 1806.10; 1806.20; 1806.31; 1806.32; 1806.90; 1905.20; 1905.31; 1905.32; 1905.90; 2006.00; 2007.10; 2007.91; 2007.99; 2008.20; 2008.30; 2008.40; 2008.50; 2008.60; 2008.70; 2008.80; 2008.91; 2008.92; 2008.99; 2009.11; 2009.12; 2009.19; 2009.21; 2009.29; 2009.31; 2009.39; 2009.41; 2009.49; 2009.50; 2009.61; 2009.69; 2009.71; 2009.79; 2009.80; 2009.90; 2105.00; 2202.10; 2202.90	30% of value
Petrol, classified under HSC 2710.11	\$0.60 per litre
Diesel, classified under HSC 2710.19	\$0.60 per litre
Cosmetics and perfumes, classified under HSC 3303.00; 3304.10; 3304.20; 3304.30; 3304.91; 3304.99	55% of value
Motor cycles, classified under HSC 8711.10; 8711.20 ; 8711.30; 8711.40; 8711.50; 8711.90	25% of value
Motor cars, classified under HSC 8703.10; 8703.21; 8703.22; 8703.23 ; 8703.24; 8703.31; 8703.32; 8703.33 ; 8703.90 <u>and motor vehicles classified under HSC 8703.33 that are of a cylinder capacity exceeding 3,000cc</u>	25% of value
Parts and accessories for motor cycles, motor cars and other motor vehicles, classified under HSC 4011.10; 4011.20; 4011.40; 4011.61; 4011.62; 4011.63; 4011.69; 4011.92; 4011.93; 4011.94; 4011.99; 4012.11; 4012.12; 4012.19; 4012.20; 4012.90; 4013.10; 4013.90; 7007.11; 7007.21; 7009.10; 8407.31; 8407.32; 8407.33; 8407.34; 8408.20; 8409.91; 8409.99; 8426.91; 8512.20; 8512.30; 8512.40; 8512.90; 8706.00; 8707.10; 8707.90; 8708.10; 8708.21; 8708.29; 8708.30; 8708.40; 8708.50; 8708.70; 8708.80; 8708.91; 8708.92; 8708.93; 8708.94; 8708.95; 8708.99; 8709.90; 8714.11; 8714.19	25% of value
Other motor vehicles, classified under HSC 8426.41; 8426.49; 8427.10; 8427.20; 8427.90; 8429.11; 8429.19; 8429.20; 8429.30; 8429.40; 8429.51; 8429.52; 8429.59; 8430.10; 8430.31; 8430.41; 8430.50; 8701.10; 8701.20; 8701.30; 8701.90; 8702.10; 8702.90 ; 8704.10; 8704.21; 8704.22; 8704.23; 8704.31; 8704.32; 8704.90; 8705.10; 8705.20; 8705.30; 8705.40; 8705.90; 8709.11; 8709.19; 8710.00; 8716.10; 8716.20; 8716.31; 8716.39; 8716.40; 8716.80	25% of value
All other goods (except water and fresh fruit and vegetables)	10% of value

Note for Schedule 2

For calculation of the value of dutiable goods under this Schedule see section 8.