



AUSTRALIAN CUSTOMS NOTICE NO. 2009/12

Australia–Chile Free Trade Agreement – Customs Tariff Amendments

The *Customs Tariff Amendment (Australia-Chile Free Trade Agreement Implementation) Act 2008* (the Act) received Royal Assent on 27 November 2008, as Act No. 128 of 2008. The Act contains amendments to the *Customs Tariff Act 1995* (the Tariff) to implement the duty reductions contained in the Australia-Chile Free Trade Agreement (ACI-FTA) by:

- providing Free and preferential rates of customs duty for goods that are Chilean originating goods in accordance with new Division 1F of Part VIII of the *Customs Act 1901*;
- phasing the preferential rates of customs duty for certain goods to Free by 2015; and
- creating a new Schedule 7 in the Tariff to accommodate the preferential and phasing rates of duty.

The amendments to the Tariff contained in the Act provide that a Free rate of duty applies to Chilean originating goods, unless a rate is specified in new Schedule 7 opposite the tariff classification that applies to those goods.

Reference should be made to ACN No. 2009/11, which sets out the rules for determining whether goods are Chilean originating goods, for the purposes of the Tariff.

The amendments relating to the ACI-FTA will come into effect on 6 March 2009. The Act also provides that the rates for Chilean originating goods will apply to goods imported into Australia before 6 March 2009, where the time for working out the rate of import duty on the goods had not occurred before that date.

Alterations contained in Customs Tariff Proposal (No. 2) 2009 – certain alcohol and tobacco products

Customs Tariff Proposal (No. 2) 2009, tabled in the Parliament on 25 February 2009, contains alterations to the rates of duty, specified in Schedule 7, for certain alcohol and tobacco products that are Chilean originating goods. These alterations reflect increases in the rates of excise equivalent customs duty that took effect on 2 February 2009, following the release of the December 2008 CPI figures.

The above Tariff Proposal also contains alterations to the rates of duty for those items in Schedule 7 that are applicable to ready-to-drink alcoholic beverages. These rates reflect the rates of excise equivalent customs duty specified for those goods in the Customs Tariff Amendment (2009 Measures No. 1) Bill 2009, tabled in the Parliament on 11 February 2009.

The above alterations will ensure that excise equivalent rates of customs duty imposed on alcohol and tobacco products, when imported as Chilean originating goods under the ACI-FTA, are the same as duty imposed on those goods when imported from other countries.

Import declaration procedures for goods from Chile

The introduction of the ACI-FTA will affect entry procedures for goods from Chile. In particular, a new preference scheme will apply for Chilean originating goods when the ACI-FTA enters into force.

- The Country Code "CL" should continue to be used for all goods from Chile.
- Where goods are Chilean originating goods, the Preference Scheme "CL" should also be used on Customs Import Declarations to access the preferential rate of duty under the ACI-FTA. It will be necessary to also quote a Preference Rule on Import Declarations (see below).
- Where goods are manufactured in Chile, but are not Chilean originating goods for the purposes of the ACI-FTA, the Preference Scheme "DCS" may be used where a Developing Country (DCS) rate of duty applies.
- If no Preference Scheme is quoted, the general rate of duty will apply.
- Where preference is claimed and Customs finds that the imported good does not meet the relevant rule of origin, the consignment or non-qualifying operations rule, Customs will demand the duty short-paid and may impose penalties. Additional action may be taken where fraud is indicated.

Preference rules

Valid Preference Rules for the ACI-FTA are:

POM Produced entirely from originating materials

PS Product specific rules

WO Wholly obtained goods.

Further information may be obtained from ACN 2009/11.

Other duties and taxes

While Chilean originating goods are eligible for preferential rates of duty, excise-equivalent duties, goods and services tax, dumping duties and other taxes and levies, including cost recovery charges, if relevant, will still be payable.

Goods returned after repair or renovation

The Act creates a new item 20C in Schedule 4 to the Tariff. Item 20C applies to all free trade agreements including the Australia-Chile Free Trade Agreement. Item 20C will provide duty free entry for goods imported from the territory of the other party after temporary exportation for repair, renovation, alteration or similar processes.

Item 20C will operate through treatment codes 520 and 529, as follows:

520 Value of goods before repair or renovation

529 Cost, as determined by the Chief Executive Officer, of materials, labour and other charges involved in the repair or renovation.

Item 20C will be administered through customs by-laws. Customs By-law No. 0904400 will be created for goods to which Article 3.7 of the ACI-FTA applies.

Tariff reprint pages

Tariff reprint pages relevant to the above amendments will be issued progressively as other changes are made.

Those pages containing alterations to the Customs Tariff Act, Schedules 4 and 7 and the Schedule of Concessional Instruments Part II will be issued in the week commencing 2 March 2009.

Inquiries concerning this notice may be directed to:

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