

TARIFF (ZERO DUTY) AMENDMENT BILL

EXPLANATORY NOTE

General Policy Statement

This Bill provides for the removal of tariff duties on all goods entering New Zealand by no later than 1 July 2006. This Bill also provides for staggered reductions in the maximum rates of duty for certain goods.

Tariffs are a form of taxation which impose efficiency costs on the economy by raising prices to domestic consumers and increasing production costs. There are costs to government also in administering the tariff regime and compliance costs to businesses involved in importation.

Creating certainty and clarity in tariff policy is important to guide future investment decisions.

The removal of tariffs will improve industry competitiveness which will in turn contribute to economic growth and employment in New Zealand.

As a developed member economy of APEC, New Zealand is committed to achieving free and open trade and investment by 2010. Removal of tariffs is one step on that path.

Clause by Clause Analysis

Clause 1 is the Short Title and commencement clause. The Bill comes into force the day after it receives the Royal assent (although its provisions do not actually have operative effect until 1 July 2000).

Clause 2 inserts new *sections 3A and 3B* into the Act that, respectively, provide staggered cut-off dates from which no further duty will be payable under the Act, and specify certain limits on rates of duty pending the total removal of duties on the various categories of goods.

The new *section 3A (1)* provides that, in general terms,—

- (a) No tariff duty will be payable on goods imported or entered on or after 1 July 2001, in the case of goods subject to duty at 5% or less as at 1 July 2000:
- (b) No tariff duty will be payable on goods imported or entered on or after 1 July 2002, in the case of goods subject to duty of more than 5% but not more than 10% as at 1 July 2000:
- (c) No tariff duty will be payable on or after 1 July 2004 on certain textiles and clothing or clothing accessories:

(d) From 1 July 2006 no tariff duty will be payable at all on any goods imported or entered on or after that date.

For the purposes of paragraphs (a) and (b) the relevant rate of duty is the Normal Tariff rate for the goods concerned, regardless of whether any preferential rate is also available.

Subsection (2) specifically excludes from the application of the 2 earliest deadlines for termination of duty goods in the areas of textiles, carpets, clothing and clothing accessories, headgear, and footwear, leaving these goods subject to whichever is relevant of the 2004 and 2006 deadlines (but see *subsection (4)*).

Subsection (3) makes provision for those cases where duty is expressed otherwise than as a simple ad valorem percentage rate (for example, as an amount per item).

Where no ad valorem rate is specified at all, the goods will normally be subject to the 1 July 2006 deadline for removal of duty. Where a different method of determining duty is expressed in addition to an ad valorem rate for any goods, the terminating date for the duty will be determined under *subsection (1)* on the basis of the ad valorem rate.

Subsection (4) provides that nothing in either *subsection (1)* or *subsection (2)* prevents an earlier reduction in or removal of duty on any goods.

Pending the complete removal of tariff duties, the new *section 3B* provides for staggered reductions in the maximum rates of duty applying to—

- (a) The general category of “0-5%” goods subject to the 1 July 2001 termination date; and
- (b) The general category of “5-10%” goods subject to the 1 July 2002 termination date; and
- (c) Various categories of goods within the areas of textiles, carpets, clothing or clothing accessories, headgear, and footwear.

As with *section 3A*, nothing in the section prevents an earlier removal or reduction of duty.

Clause 3 makes consequential amendments to other provisions of the Tariff Act 1988.

Subclauses (1) and (2) amend various definitions and references in sections 2 and 3 of the Act to ensure that all references to the Tariff are read subject to the new *sections 3A and 3B*.

Subclause (3) inserts a note at the very beginning of the Tariff in the First Schedule that makes it clear that the Tariff is to be read subject to the new *sections 3A and 3B*.

Clause 4 ensures that all references to the Tariff in other enactments are also to be read subject to the new *sections 3A and 3B*.

Hon Max Bradford

TARIFF (ZERO DUTY) AMENDMENT

ANALYSIS

Title	3B. Limits on rates of duty for certain goods pending removal of duty
1. Short Title and commencement	3. Consequential amendments to principal Act
2. New sections inserted	4. References to Tariff, etc, in other enactments
3A. Removal of all tariff duties by no later than 1 July 2006	

A BILL INTITULED

An Act to provide for the removal of tariff duties on all goods by no later than 1 July 2006

BE IT ENACTED by the Parliament of New Zealand as follows:

5 **1. Short Title and commencement**—(1) This Act may be cited as the Tariff (Zero Duty) Amendment Act 1998, and is part of the Tariff Act 1988* (“the principal Act”).

(2) This Act comes into force on the day after the date on which it receives the Royal assent.

10 **2. New sections inserted**—The principal Act is amended by inserting, after section 3, the following sections:

15 “**3A. Removal of all tariff duties by no later than 1 July 2006**—(1) Despite anything in this Act, no duty is payable in respect of goods of a kind specified in the first column of the following table that are imported or entered into New Zealand on or after the date specified for those goods in the second column of the table.

*1988, No. 155

Amendments: 1990, No. 88; 1991, No. 74; 1994, No. 163

Description of Goods	Date from Which Import or Entry Free of Duty
“1. Goods of a kind that, as at 1 July 2000, were subject to duty at a Normal Tariff rate of 5% or less (other than goods specified in subsection (2))	1 July 2001
“2. Goods of a kind that, as at 1 July 2000, were subject to duty at a Normal Tariff rate greater than 5% but not greater than 10% (other than goods specified in subsection (2))	1 July 2002
“3. Goods of a kind that, as at 1 October 1998, were categorised as—	
(a) Textiles falling within any of Chapters 50, 52, 53, 59, 70, and 96 of the Tariff; or	
(b) Clothing or clothing accessories falling within Chapter 43 of the Tariff	1 July 2004
“4. All other goods	1 July 2006

“(2) **Items 1 and 2 of the table in subsection (1)** do not apply to goods that are—

“(a) Textiles of a kind that, as at 1 October 1998, fell within any of Chapters 50 to 56, 58 to 60, 63, 65, 70, 94, and 96 of the Tariff; or

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“(b) Carpets of a kind that, as at 1 October 1998, fell within Chapter 57 of the Tariff; or

“(c) Clothing or clothing accessories of a kind that, as at 1 October 1998, fell within any of Chapters 39, 42, 43, 61, 62, and 63 of the Tariff; or

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“(d) Headgear of a kind that, as at 1 October 1998, fell within Chapter 65 of the Tariff; or

“(e) Footwear of a kind that, as at 1 October 1998, fell within any of Chapters 61, 63, and 64 of the Tariff.

“(3) For the purposes of **subsection (1)**,—

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“(a) Where there is no ad valorem duty at a specified percentage rate for the Normal Tariff that applies to a particular item or other description of goods, goods within that item or other description are not to be treated as within item 1 or item 2 of the table:

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“(b) Where ad valorem duty at a specified percentage rate for the Normal Tariff is specified in respect of a particular item or other description of goods, then **subsection (1)** applies as if the ad valorem duty at the specified percentage rate were the only applicable rate of duty for goods within that item or other description (whether or not a different or alternative rate or method of determining the duty payable is

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also provided, and whether or not any Preferential Tariff rate is also available for the goods):

5 “(c) The term ‘imported or entered into New Zealand’ refers to goods imported into New Zealand or goods entered into New Zealand for home consumption or for delivery to a manufacturing area.

10 “(4) Nothing in subsection (1) or subsection (2) prevents the reduction or removal of any duty or rate of duty in respect of any goods at a time earlier than the relevant date specified in subsection (1).

15 “3B. **Limits on rates of duty for certain goods pending removal of duty**—(1) Despite anything in this Act, any ad valorem rate of duty payable on goods of a kind specified in the first column of the following table may not, for goods imported or entered during the period specified in the second column of the table, exceed the rate specified for those goods and that period in the third column of the table.

Description of Goods	Import or Entry Period to Which Maximum Rate Applies (All dates inclusive)	Maximum Rate of Duty %
“1. Goods of a kind that, as at 1 July 2000, were subject to duty at a Normal Tariff rate of 5% or less (other than goods specified in section 3A (2))	1 July 2000–30 June 2001	5
“2. Goods of a kind that, as at 1 July 2000, were subject to duty at a Normal Tariff rate greater than 5% but not greater than 10% (other than goods specified in section 3A (2))	1 July 2000–30 June 2001 1 July 2001–30 June 2002	10 5
“3. Goods of a kind that, as at 1 October 1998, were categorised as— (a) Textiles falling within any of Chapters 50, 52, 53, 59, 70, and 96 of the Tariff; or (b) Clothing or clothing accessories falling within Chapter 43 of the Tariff	1 July 2000–30 June 2004	5

Description of Goods	Import or Entry Period to Which Maximum Rate Applies (All dates inclusive)	Maximum Rate of Duty %
“4. Goods of a kind that, as at 1 October 1998, were categorised as textiles falling within any of Chapters 51, 54, 55, 56, 58, 60, 63, and 94 of the Tariff	1 July 2000–30 June 2004	10
	1 July 2004–30 June 2005	8
	1 July 2005–30 June 2006	4
“5. Goods of a kind that, as at 1 October 1998, were categorised as—	1 July 2000–30 June 2004	15
	1 July 2004–30 June 2005	10
	1 July 2005–30 June 2006	5
(a) Textiles falling within Chapter 65 of the Tariff; or (b) Carpets falling within Chapter 57 of the Tariff; or (c) Clothing or clothing accessories falling within any of Chapters 39, 42, 61, 62, and 63 of the Tariff; or (d) Headgear falling within Chapter 65 of the Tariff; or (e) Footwear falling within any of Chapters 61, 63, and 64 of the Tariff		

“(2) Nothing in **subsection (1)** prevents the reduction or removal of any duty or rate of duty in respect of any goods at a time earlier than a date or period specified in the table in that subsection.

“(3) For the purposes of **subsection (1)**,—

“(a) **Section 3A (3)** applies in respect of rates of duty and of the meaning of the term ‘imported or entered into New Zealand’:

“(b) The third column of the table applies to limit the ad valorem rate of duty only, and does not apply to limit any different or alternative method of determining the duty payable on the goods in question, or the amount of duty derived from such a method.”

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3. Consequential amendments to principal Act—

5 (1) Section 2 of the principal Act is amended by inserting in each of the definitions of the terms “Normal Tariff”, “Preferential Tariff”, “Standard Tariff”, and “Tariff”, in each case after the word “means”, the words “, subject to **sections 3A and 3B,**”.

(2) Section 3 of the principal Act is amended by inserting, after the words “First Schedule to this Act”, the words “(but subject to **sections 3A and 3B)**”.

10 (3) The First Schedule of the principal Act is amended by inserting, immediately before Note 1 at the beginning of the schedule, the following note:

“A1. **Tariff to be read subject to sections 3A and 3B**—The Tariff is to be read subject to **sections 3A and 3B** (which provide, respectively, that no tariff duty at all is payable on certain goods from certain dates and on all goods from 1 July 2006, and that certain maximum rates of duty apply in the interim).”

4. References to Tariff, etc, in other enactments—

15 Every reference to the Tariff (or to the Normal Tariff, the Preferential Tariff, or the Standard Tariff) in any other enactment is to be read as a reference to the Tariff (or Normal Tariff, Preferential Tariff, or Standard Tariff) as subject to **sections 3A and 3B** of the principal Act.