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Director

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Treasury

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RE: Tariff reform: removal of nuisance tariffs

The Australian Chamber of Commerce and Industry (ACCI) appreciates the opportunity to provide the feedback on the recently announced tariff reform, which will lead to the removal of around 500 nuisance tariffs.

ACCI is Australia's largest and most representative business network, with a membership consisting of chambers of commerce in every Australian state and territory and over 70 national industry associations. ACCI represents Australian businesses of all shapes and sizes, across all sectors of the economy, and from every corner of our country.

We welcome the recent progress in the process on the removal of nuisance tariffs. This is an important step in simplifying the trade system. It was a core recommendation of ACCI's submissions to the Simplified Trade System Implementation Taskforce.¹

Nuisance tariffs are a highly inefficient form of taxation and industry policy. The government spends a significant amount (between \$11 million and \$20 million) administering this system and business spend millions of dollars more in compliance. The Productivity Commission estimates that the true cost of nuisance tariffs ranges from 59 cents to \$1.57 for every dollar collected.

These tariffs impose significant administrative burdens and compliance costs on business, which ultimately translate to higher prices of imports for consumers (estimated to be around \$1.5 billion). The removal of 500 tariff lines, which are particularly focused on household items like food, clothing and household appliances, is a positive step. This will help to lower the household expenses amidst cost-of-living crisis.

We urge the government to continue this process and look to remove further tariff lines, with a particular focus on tariffs on goods that are inputs

¹ See, for example, ACCI's [2023 submission](#).



to domestic production processes. This will ensure that Australian businesses spend more time on doing business rather than administering red tape.

The regulatory distortions associated with these tariffs have been an unnecessary drag on the economy. The Productivity Commission has highlighted that tariffs contribute just 0.3 per cent of total government revenue but result in substantial compliance costs.

This high cost of tariff compliance is a major burden on businesses, especially small businesses. A 2020 Small Business Guidance Note by the Department of Prime Minister and Cabinet identified that small businesses spend around five hours a week complying with government regulations. Further, small businesses often need external legal or financial advice to understand and meet their regulation obligations, adding to their compliance costs.

Compliance costs come in two forms: the 'paperwork' costs of proving eligibility and the costs of adapting production to make the imports eligible for the preferential and concessional rates of custom duty. In some instances, to qualify for the preferential rates, some foreign producers adapt their production processes. These adaptations ultimately translate into higher costs that ripple through the supply chain, impacting both Australian businesses and consumers.

Removing these tariff lines will not only reduce costs for existing suppliers, but also incentivize new suppliers to enter the Australian market. It is likely to result in more products coming from countries without free trade agreements, as they will be on an equal footing with current suppliers from countries with zero tariffs. This includes manufacturers sourcing inputs (parts/components) from overseas, driving down the cost of production, which will eventually benefit consumers through lower prices on domestically produced goods. This will deliver broader economic benefits for both households and businesses.

Having acknowledged the whole-of-economy benefits of tariff reductions, ACCI supports extending this logic to more than 2,500 tariff lines that remain. ACCI urges the Australian Government to engage in a progressive process towards further, more complete trade liberalisation.

The costs of these nuisance tariffs clearly outweighed any benefit from the revenue generated. Removing these nuisance tariffs is a prudent step, with saving to business of over \$30 million on top of the substantial compliance costs to business.



ACCI commends the Australian Government on this important first step and encourages the Government to regard this as a baseline for more ambitious tariff reform.

Yours sincerely

David Alexander
Chief of Policy and Advocacy

