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Industry and Infrastructure Branch  
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via email: [NuisanceTariffs@treasury.gov.au](mailto:NuisanceTariffs@treasury.gov.au)

31<sup>st</sup> March, 2024

To Whom It May Concern,

**Re: Nuisance Tariffs**

Thank you for the opportunity to comment on the government's proposed reform of Nuisance Tariffs.

The Australian Music Association (AMA) is the industry body representing wholesalers, importers, manufacturers, retailers and associated businesses for music products in Australia. Established in 1977, the AMA has a strong history of representing and supporting the industry and contributing to the development of musical life.

We are interested in music products including musical instruments, professional audio products, print music and accessories. This includes all of Chapter 92 of the Harmonised System and part of Chapter 85, including 10 codes where duty has been collected in the past four years. Several others (pro audio products) had duty collected up until 2019.

As a general set of principles, we agree with:

- (1) reducing tariffs wherever it is possible and justified, and
- (2) maintaining tariffs wherever they genuinely support local manufacturing.

This submission is based on those principles and using the Australian Government's own logic to determine which tariffs are 'nuisance tariffs'. Therefore we are considering and commenting on *all* tariffs for music products. Only one 8 digit code (with four 10 digit codes under it) was included in the nuisance tariffs list: Percussion.

**Percussion (92060000)**

These four 10 digit codes (Drum Sets, Individual Drums, Cymbals, Other Percussion) are for percussion instruments, which fall under the 8 digit HS code 92060000. Percussion appears on the list of almost 500 codes that that Australian Government proposes to include in this round of nuisance tariff reform. The average duty collected per year over 10 years was as low as \$1245 for one of these codes (Cymbals).

We support the reduction of tariffs on these percussion imports based on the logic of the policy, particularly the very low level of revenue.

## **Acoustic Guitars & Other Fretted Instruments (92029000)**

This includes two 10 digit HS codes, for ‘Acoustic guitars including acoustic electric’ and ‘String musical instruments (excl. those played with a bow, keyboard stringed instruments and acoustic guitars)’. The latter includes ukuleles, banjos, mandolins and various non-western stringed instruments such as the sitar.

Duty is collected on just over 1% of the value of acoustic fretted instrument imports. This is warranted because Australia has a well established, internationally recognised guitar manufacturing industry. This is based largely around two companies in Melbourne, several smaller companies in the next tier of manufacturing and distribution, and many luthiers and small producers.

It would not be acceptable to reduce the tariff on 9202900038 (acoustic guitars) for this reason.

However, if tariff reduction can be applied at a 10 digit level, we would be open to reducing the tariff on 9202900039 (ukuleles etc), which could be considered a ‘nuisance tariff’.

## **Electric Guitars & Bass Guitars (92079000)**

There are different views among our members on the merits of tariffs on Electric Guitars. On one hand, this is the highest amount of duty collected on musical instrument imports (by total revenue), it is a tax on consumers that increases the cost of guitars, creates red tape for businesses, and adds a cost to the prices charged by retailers in a challenging trading environment. On the other hand, the Electric Guitars code has the highest level of duty collected<sup>1</sup> and there is a guitar manufacturing industry in Australia.

We do not currently have enough information to adequately assess the merits of the tariff on electric guitars, including the average value of the particular imports that duty is charged on, who is paying the tariffs and why, and more information about Australian manufacturing of electric guitars. Therefore we reserve comment on this until the association can consider it more thoroughly.

Using the government’s own logic for removing nuisance tariffs, particularly a low level of duty collected and lack of substantial local manufacturing capacity, Electric Bass Guitars could be considered a nuisance tariff. One of the codes that will have a tariff removed under these reforms, 9206000045 (we call this ‘Educational & Other Percussion’) had more duty collected most years than 9207900048 (Bass Guitars)<sup>2</sup>.

## **Other Electronic Instruments (9207900050)**

This code is a miscellaneous category for ‘electric musical instruments’ including such things as percussion pads, electric violins, electronic drum kits, sample pads and so on. There are Tariff Concession Orders on a number of these product sub-categories specifically<sup>3</sup>.

These products are not made at scale in Australia and revenue from this tariff is relatively low, at an average of \$57,000 per year over the past 10 years. We consider this a nuisance tariff.

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1 \$496,269 in the 2023 calendar year. Average of \$366,000 per year over 10 years (2014-2023). See Appendix for data.

2 Average annual duty collected, by calendar year, from 2014 to 2023: ‘Other Percussion’ \$11682; Bass Guitars \$10502. See Appendix for data.

3 [TCOs for Chapter 92: https://www.abf.gov.au/tariff-classification-subsite/Pages/TariffConcessionOrders.aspx?ch=92](https://www.abf.gov.au/tariff-classification-subsite/Pages/TariffConcessionOrders.aspx?ch=92)

## Stringed Instrument Parts & Accessories (9209920032)

This includes a wide range of products including bows, parts for building guitars, picks, capos, guitar straps, pick ups, and more. Some of these products, such as rosin for stringed instruments, are produced in Australia at relatively small scale. However, it fits the Australian Government's own test for nuisance tariffs with a very low revenue and without supporting a substantial local manufacturing industry. An average of \$24,000 was collected per year for the past 10 years.

### Summary

Code	Description	Government proposal on Nuisance Tariffs	AMA position
9206000042	Drum sets	Remove	Agree, remove tariff
9206000043	Individual drums	Remove	Agree, remove tariff
9206000044	Cymbals	Remove	Agree, remove tariff
9206000045	Other percussion	Remove	Agree, remove tariff
9209920032	Parts and accessories for stringed instruments	N/A	Remove tariff
9207900050	Other Electronic Instruments	N/A	Remove tariff
9207900048	Bass Guitars	N/A	Remove tariff <i>if</i> it can be done at 10 digit level, but <i>not</i> at 8 digit level (9207900048 would include Electric Guitars)
9207900049	Electric Guitars	N/A	No comment at this time, further data and discussion required.
9202900038	Acoustic & Acoustic-Electric Guitars	N/A	Maintain tariff
9202900039	Other string musical instruments (excl. bowed, acoustic guitars) eg. ukuleles	N/A	Remove tariff <i>if</i> it can be done at 10 digit level, but <i>not</i> at 8 digit level (92029000 would include Acoustic Guitars)

## Supporting Manufacturing

Our industry receives very little government support, in general, and manufacturers in particular face high costs and a highly competitive market domestically and internationally. They produce high quality, high value instruments and have at times seen a surge in demand, which cannot be met by a sufficient supply of skilled workers, and at other times a drop in demand, leading to a different set of challenges.

Our manufacturing members export, and deal with ongoing costs of managing export development, but are established enough to not qualify for export grants. Our manufacturing members pay payroll tax when they reach the level of turnover that puts them in genuine competition with leading global guitar brands, but their competitors do not pay an equivalent tax. They face strong and increasing regulations around chain of custody, sourcing of materials (timber), sustainability claims and other environmental regulation, which the industry understands and supports but the cost is carried by manufacturers.

We have skills shortages across the board for musical instrument makers and repairers, including such specialities as brass and wind instrument technicians, piano tuners and technicians, and instrument manufacturing workers. There is one vocational training provider in Melbourne, training people in such a way that they can (and many do) go to work in one of the guitar factories. We as an association, and our members, value this highly but cannot take it for granted, it remains important to have that training package approved and for that course to remain viable.

We would welcome, specifically and as a better way of supporting local manufacturers,

- reforms such as payroll tax relief for specialist manufacturers;
- additional support for training in areas of skill shortages with very small cohorts of students;
- export development funding extended to established companies with ongoing market development opportunities and costs;
- support for specialist manufacturers implementing chain of custody solutions and compliance systems, including compliance with new EU deforestation regulations, CITES, the US Lacey Act, and Australian regulations.

Finally, manufacturer members are concerned about the prospect of new US tariffs on all imports under a future Administration. Under this scenario, tariffs would be relevant but would not be sufficient to support these manufacturers through such a major challenge in such an important market.

Thank you for the opportunity to comment on these reforms, please do not hesitate to contact me if the AMA can assist in any way.

Regards,



Alex Masso  
Executive Officer  
Australian Music Association

## Appendix: Analysis of Customs Data

The [first table](#) shows all duty collected on music products since 2014, you will see substantial reductions (1) in the pro audio section, from 2020 onwards, and (2) after the introduction of CHAFTA<sup>4</sup> in 2015.

The AMA groups related categories of products into ‘Sections’, which are used here, for our Market Report. ‘Guitars’ includes electric, acoustic and bass guitars, ukuleles and other fretted instruments, and

guitar amplifiers; Pro audio includes speakers, microphones, mixers and amplifiers. The structure of our Market Report covers about 50 (10 digit) HS codes.

The [second table](#) shows revenue for the ten codes where duty has been collected up until 2023, the most recent data available. It does not include ‘pro audio’ codes such as microphones and speakers. These are the ten codes addressed in this submission.

Everything under the \$100,000 revenue line is considered a ‘nuisance code’ in this submission.

*Data provided by the ABS via subscription, analysed by the Australian Music Association.*

### Duty Collected, by Section

\$ value of duty collected, by Section

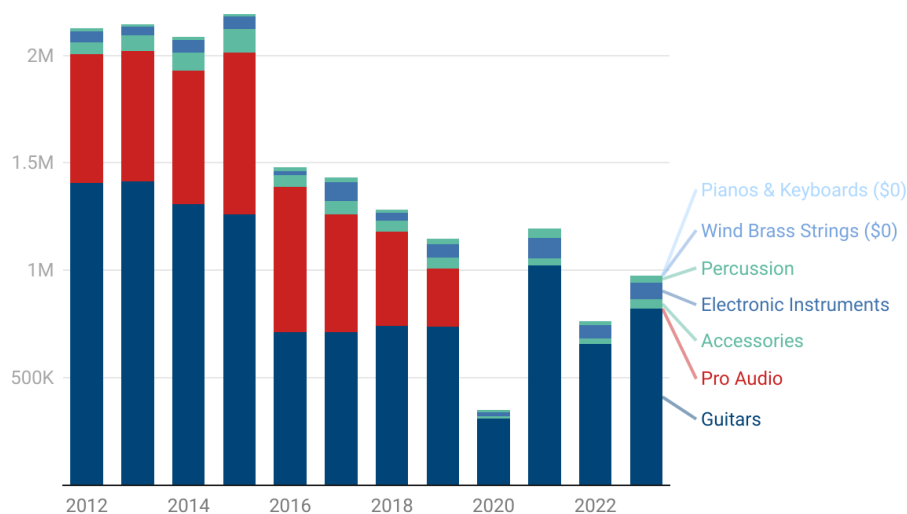
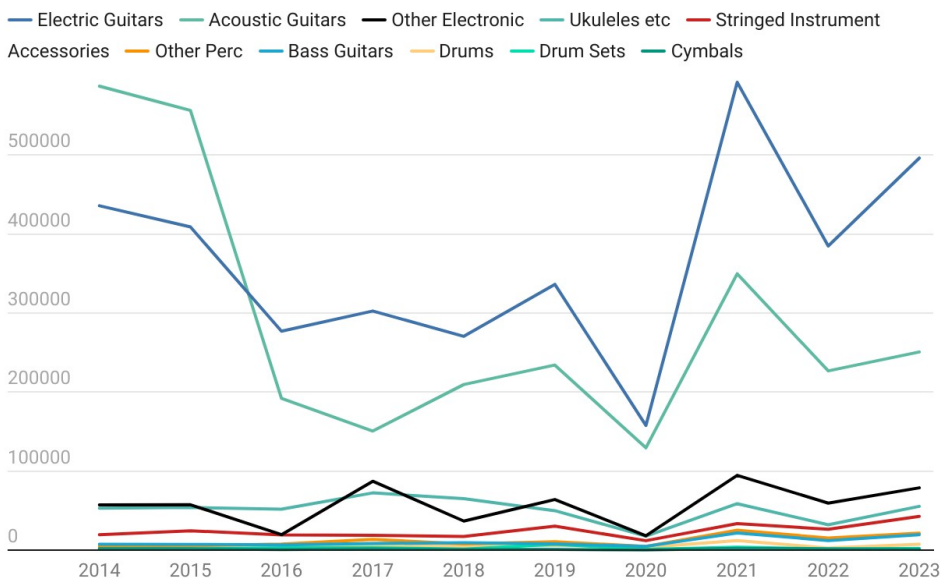


Chart: Australian Music Association • Source: Using ABS Data • Created with Datawrapper

### Duty Collected, by Category

\$AU revenue (duty) for each HS code.



Duty was collected on several pro audio codes until 2019, not included here. All others recorded zero revenue.

Chart: Australian Music Association • Source: Using ABS Data • Created with Datawrapper

<sup>4</sup> China Australia Free Trade Agreement <https://www.dfat.gov.au/trade/agreements/in-force/chafta/Pages/australia-china-fta>