

Australian Steel Association Inc

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1. Basis for Request

GST FACTOR

6.1 GST adjustment factor is considered real as Customs entry formalities will be the first point of collection and the 5% duty component will be included in the GST calculation.

6.2 Currently, the value for duty basis is F.O.B.:-
Say: F.O.B. A\$1,000
@ Duty 5% = \$50

6.3 Commencement of the GST will mean

	<u>With Duty</u>	<u>No Duty</u>
Say: F.O.B.	A\$1,000	\$1,000
Plus: Frt, etc.	200	200
Plus: Duty 5%	50	
Plus: Other	<u>50</u>	<u>50</u>
Basis for GST	\$1,300	\$1,250
@ 10% =	\$130	\$125

2.4 Without the duty component, the GST payable would be \$125 – being \$5 less than “with duty included”.

2.5 Conclusion is that the 5% duty rate will mean paying an additional 10% duty.

2.6 The 5% tariff should be adjusted to **4.5% or even less**.

2.7 A Treasury Paper estimates that the GST affect on locally produced steel prices will be a reduction of up to 3.3%.

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- 2.8 Locally produced steel will become cheaper thus increasing the unintended protection.
- 2.9 The adjustment to the prevailing 5% duty rate should therefore be sufficient to offset the increased competitiveness of locally produced steel products.
- 2.10 Based on the Treasury Paper and given the example on 6.3, the local steel industry will gain a further 4% of unintended protection.
- 6.11 The 5% duty rate effectively becomes 9% of F.O.B. value.