



**Australian Government**

**Department of Immigration  
and Border Protection**

# Applying Tolerances in Tariff Concession Orders

The Department of Immigration and Border Protection's Tariff Classification Guide on the application of tolerances specified in Tariff Concession Orders

**NOTICE:**

This publication is intended to provide guidance and information to the trade community. It reflects the position on, or interpretation of, the applicable laws or regulations by the Department of Immigration and Border Protection as of the date of publication, which is shown on the front cover. It does not in any way replace or supersede those laws or regulations. Only the latest official version of the laws or regulations is authoritative.

**Published August 2015**



## Table of Contents

APPLYING TOLERANCES IN TARIFF CONCESSION ORDERS (TCOS).....	3
<i>What are tolerances?</i> .....	3
<i>Why do we use tolerances in TCOs?</i> .....	3
<i>How are tolerances specified in TCOs?</i> .....	3
<i>If a TCO uses a tolerance, how do I determine if it covers my goods?</i> .....	4
Change record .....	5

## APPLYING TOLERANCES IN TARIFF CONCESSION ORDERS (TCOS)

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### *What are tolerances?*

Tolerance is the minimum and maximum limit of acceptable deviation from a specified dimension or value in a manufacturing process.

Manufacturers often describe goods in marketing material and specification sheets using parameters such as weight, dimension, voltage, etc. However, there can be inbuilt variation in these parameters.

Many factors can impact on the repeatability of a manufacturing process and cause variations in the parameters of goods. Tools and machines used in the making of a product wear down, operator skill levels may result in inconsistency, temperature and other environmental conditions may vary, and the constituent materials may not be exactly the same.

Although variation outside specified tolerances is unacceptable in a manufacturing process, reducing the level of variation significantly below acceptable levels can dramatically increase the cost and difficulty of manufacturing. For this reason, a known degree of variation (the tolerance) is acceptable to both the manufacturer and purchaser. There can be a high level of confidence that products within tolerance will function as designed.

The specified tolerance is part of defining a particular item and can differentiate between classes of goods. The level of tolerance will vary dependent on the product and the applications for which the good is designed. For example, a 100mm steel shaft manufactured to a tolerance of  $\pm 0.005$  mm in diameter is a different product to a 100mm steel shaft with a tolerance of  $\pm 1$ mm. The first would be relatively expensive, being designed for applications that require a high level of engineering precision compared to the second, which would be cheaper to make but not suitable for many of the applications for which the first could be used.

### *Why do we use tolerances in TCOs?*

For a TCO to apply, the goods must precisely meet the TCO description.

If the TCO applicant intends to cover goods that have a specified tolerance, then specifying the tolerance will allow the goods coming in to vary within the accepted limits without falling outside of the TCO.

Tolerances may also differentiate between goods manufactured in Australia and imported goods. A specified tolerance that would be difficult to meet might prevent claims by Australian manufacturers of less technically advanced goods that their goods are substitutable.

### *How are tolerances specified in TCOs?*

Within industry and engineering, tolerances are normally specified using the plus-minus symbol ( $\pm x$ ) for symmetrical tolerances, by separate plus and minus values separated by the divisor symbol for asymmetrical tolerances ( $+x/-y$ ) or by name (e.g. "with a tolerance of plus or minus x").

If a TCO application uses the plus-minus symbol ( $\pm$ ), the made TCO will use +/-because of system limitations.

Different expressions are acceptable for the specification of the same tolerance in TCOs. Examples follow.

- thickness 100mm + / - 5%
- thickness 100mm with a tolerance of + or - 5%
- thickness 100mm. For the purposes of this Order all measurements have a tolerance of + or - 5%
- thickness 100mm + / - 5mm

However, care must be taken, particularly with older TCOs, to examine the wording in the context of the goods to ensure that it does describe a tolerance and not a range.

TCO wording is not supplied by the Department of Immigration and Border Protection, but by the applicant for the TCO. Hence, there can be variable specification styles and TCOs may use wording that is superficially similar to a *tolerance specification* to give a *range specification*.

An example of this occurred in the case of *AKAI Pty Ltd and Chief Executive Officer of Customs* [1992] AATA 691 (2 July 1992).

The importer's video tape was 12.65 mm in width. TC9009593 included the words:

“... but not including video tape of a width 12.5mm + or - 1mm”.

This led to two possible scenarios, dependent upon the meaning of the phrase.

1. If the wording on the TCO excluded goods which were 12.5 mm tapes with a tolerance of  $\pm$  1mm, then the importer's goods were 12.65 mm tapes, not 12.5 mm tapes with a tolerance of 1 mm, and were not excluded.
2. If the wording on the TCO excluded goods whose width was in the range 11.5 to 13.5 mm, then the importer's good fell within this range and were excluded.

Evidence was given before the Tribunal that video tapes with such a tolerance are not made, as video players are not made to allow for such a wide tolerance in tape width.

Evidence was also given that “It is engineering practice if it is not possible to generate the plus over the minus to include the word 'tolerance' in the phrase”.

This absence of the  $\pm$  symbol or the word tolerances, combined with the unlikelihood of an exclusion for goods that did not exist, led the Tribunal to find that the phrase “of a width 12.5mm + or - 1mm” had not been used to express a tolerance but used to **indicate a range**. Therefore the goods were covered by the TCO's exclusionary phrase and could not use the TCO.

If an importer or their representative has doubt about whether a TCO describes a range or a tolerance, a Tariff Advice application should be lodged with the Department of Immigration and Border Protection.

## *If a TCO uses a tolerance, how do I determine if it covers my goods?*

For a TCO to apply to your goods they must be keyed to the same Tariff item as the TCO and the goods must be described by the TCO.

In all of the following examples, the goods are classifiable to the same Tariff item as the TCO.

Example 1:

The **TCO** is for:

“SHEETS, GLASS, having a thickness of 21mm with a tolerance of + / - 1%”

The **goods** are:

“Sheet glass 20mm thick with a tolerance of + / - 5%.

Are the goods properly described by the TCO?

- The TCO is for 21mm glass sheets manufactured with a tolerance of + / - 1%.  
The TCO is for goods made as 21mm glass sheets but it allows for the fact that unavoidable variations in manufacturing may produce individual sheets that vary in thickness from 20.79 to 21.21mm.

- The imported sheets are 20mm glass sheets manufactured with a tolerance of + / - 5%.  
The goods are made as 20 mm sheets, but the contract allows for unavoidable variations that may produce individual sheets that vary in thickness from 19 to 21mm.

Although some individual instances of the goods may fall within the same range of thicknesses as the goods described in the TCO, the goods being imported are not correctly described by the TCO.

Goods that are a shipment of 20 mm glass sheets with a tolerance of +/- 5%, are not goods truthfully described as 21 mm glass sheets with a tolerance of +/- 1%.

The goods in Example 1 are not eligible for the TCO.

Example 2:

The **TCO** is for:

“SHEETS, GLASS, having a thickness of 21mm with a tolerance of + / - 1%”

The **goods** are:

“Sheet glass 21mm thick with a tolerance of + / - 0.5%.

In this case, although the goods being imported are even more precise than required by the specifications, they still fall within the range of the specification.

The goods in Example 2 are eligible for the TCO.

Example 3:

The **TCO** is for:

“SHEETS, GLASS, having a thickness of 21mm with a tolerance of + / - 1%”

The **goods** are:

“Sheet glass 21mm thick with a tolerance of + / - 3%.

These goods are not as precisely manufactured as the TCO requires of goods. They fall outside of the specifications of the TCO.

The goods in Example 3 are not eligible for the TCO.

## Change record

02/12/2011 First publication

August 2015 Republication to reflect the change to the Department of Immigration and Border Protection. No substantive change to content. Minor typographical issues corrected.