

9.0 U.S. Tariffs and Duty-Free Entry

9.1 Special Authorization

The Department of Defense of the United States has special statutory authorization to arrange duty-free entry for acquisition of goods (including spare parts) from other countries. This arrangement also extends to the importation of Canadian defence supplies by U.S. companies carrying out defence contracts.

9.2 Entry Certificate

The responsibility for issuing a Duty-Free Entry Certificate rests with: The Transportation Officer, DCASR New York. (DFARS 25.603 and 52.225-7008):

Attn: Customs Functions
201 Varick Street
New York 10014
c.c.: DCASMA, Ottawa

9.3 Imported Materials

Canadian Order-in-Council PC 1970-1913 has simplified matters for Canadian manufacturers requiring imported materials for U.S. defence work. The Order-in-Council is implemented by Department of National Revenue memorandum D53-11.

9.4 Essential Conditions

Subcontractors to U.S. primes are to ensure that two items appear in their contract:

- a) A clause which stipulates Duty-Free Entry (DFAR 52.225-7008), and
- b) The U.S. DoD contract number.

Failure to comply with the above can cause DUTY to be collected.

9.5 Drawback on Goods Manufactured or Produced in Canada and Exported

Canadian Customs regulations permit the payment of drawback of duty when Canadian duty has been levied on imported goods that are used in the manufacture of goods subsequently exported from Canada in a new and unused condition. Upon export, the importer may apply for recovery of that portion of the duty and taxes paid on the imported goods incorporated into the exported article.

Although most instances of Canadian firms importing material and/or parts from the U.S. for defence production sharing work will be eligible for duty remission under Department of National Revenue (DNR) Memorandum D53-11, cases exist where payment of Canadian duty is required before the goods may be imported.

9.6 Remission of Duty on Goods Imported for Processing and Subsequent Export

The provision of Order-in-Council P.C. 1979-615 (DNR Memorandum D17-30), entitled an "Order Respecting the Remission of Customs Duty on Goods Imported for Processing and Subsequent Export", provides for the

remission of duty on imported goods used in the manufacture of goods for export. A manufacturer that has an established pattern of export sales or a *bona fide* contract or sales agreement may be authorized, upon approval of an application to the Minister of National Revenue, to import under this Order.

9.7 Temporary Importation of Goods — United States to Canada

Materials or equipment owned by the U.S. government qualify for a general duty exemption under Customs Tariff Item 70800-1. The Department of National Revenue will provide details regarding the procedures for claiming exemption in such cases.

There is no general statement of exemption from duty for privately owned equipment entering Canada from the United States on loan for production, research or test purposes except that which follows. Each request for exemption is handled individually. Further information on procedures and regulations may be obtained from the Deputy Minister, Department of National Revenue, Customs and Excise, Ottawa. The Canadian contractor who is borrowing the equipment should write to the Deputy Minister, well in advance of the shipping date, stating the purpose and circumstances under which the proposed loan is to be made. If an urgent situation arises, the Headquarters Operations Directorate of the Department of National Revenue should be asked for assistance.

9.8 Temporary Importing for Manufacturing Purposes

Canadian firms awarded contracts to manufacture products under the Defence Production Sharing Program may import moulds, patterns, tooling, cutting tools, dies, testing machines and instruments which are committed by design and for use exclusively in the production or testing of goods produced under the terms of the contract. (Refer to paragraphs 2 and 3 of DNR Memorandum D53-11.)

9.9 Temporary Importation of Goods — Canada to United States

Schedule 8, Part 5, of the Tariff Schedule of the United States includes a number of tariff items under which articles may be admitted free of duty, under bond. Attention is invited especially to items 864.30 and 864.55 which may be relevant for Canadian companies wishing to bring product samples into the United States. Canadian companies contemplating such activity are urged to obtain specific guidance in advance concerning each individual case from U.S. Customs at the proposed port of entry.