

12.0 DOCUMENTATION AND GENERAL EXPORT INFORMATION

Canadian exporters require market access information which falls into two basic categories: customs and non-customs. Customs information covers such subjects as documentation, tariff classification rates and valuation for duty. Non-customs information relates to other U.S. laws which affect imports and are concerned with such things as consumer product safety, environmental protection, and so on. Information on both these questions may be obtained from the U.S. Marketing Division of the U.S. Trade and Investment Development Bureau, Department of External Affairs, in Ottawa. (Phone number (819) 994-0965). Such information is also obtainable from the U.S. Customs Service or U.S. customs brokers. However, we recommend that Canadian computer companies and software manufacturers intending to export to the U.S. should discuss these questions with the U.S. Marketing Division first. Specialists from the Division can obtain binding classification rulings from U.S. Customs Service headquarters on behalf of Canadian companies. These binding rulings establish firm duty rates for pricing purposes to anywhere in the United States.

Tariff Classification (Rate)

All goods entering the U.S. are subject to U.S. Customs Regulations. The rates of duty applicable to various types of computer products are varied and should be individually obtained from one of the sources mentioned above. Tariff treatment applicable to merchandise imported into the United States is outlined in the Tariff Schedules of the United States (TSUS). The TSUS includes descriptions of commodities accompanied by their respective rates of duty. We have included sample pages from the current (1983) TSUS in the Appendix.

Generally, computer products are classified under the following U.S. tariff item numbers: 676.15, which covers computer central processing units, including microcomputers; 676.52, parts for such computer equipment; and, 676.30, input and/or output devices such as printers, modems and CRT terminals for use in conjunction with computers. Appended 1983 duty rates for these tariff items are as follows:—676.15 — 4.7 percent; 676.52 — 4.7 percent; and, 676.30 — 4.4 percent respectively.

Computer software is classified under the following U.S. tariff item numbers: 724.45, unrecorded or unformatted magnetic recording media (e.g. *blank* floppy disks or *blank* tape cassettes) suitable for use with computers — 5.1 percent; and 724.40, magnetic recordings (e.g. *recorded* floppy disks or *recorded* tape cassettes) — 0.9 c per sq. ft. of recording surface. Articles classified under TSUS item 724.40 (recorded) can be imported free of duty until August 11th, 1985, (TSUS temporary item 960.65) as a result of a Canada/U.S. trade agreement.*

* Even if duties are reinstated for software, the governing rate is sufficiently low that it should not seriously affect Canadian software exports.

Valuation for Duty:

The basis of valuation for duty is normally the "arms-length" transaction price between the Canadian seller and the U.S. purchaser. In cases where the companies' transacting business is related, the value for duty purposes may be different than the actual transaction price.

Drawbacks:

Canadian computer companies should also be aware that the Canadian Customs Tariff includes several drawback provisions that enable manufacturers to recover duty paid on materials imported for incorporation in the manufacture of goods which are subsequently exported. A substantial refund of duty can usually be obtained. Drawback provisions have been included in the Canadian Tariff to assist Canadian manufacturers competing in export markets. Information on duty drawbacks can be obtained from Revenue Canada, Customs and Excise, Tariff Relief Programs, Ottawa, K1A 0L5.

Invoicing for U.S. Customs:

U.S. Customs does not require a special form of customs invoice. However, there are information requirements that must be completed on commercial invoices. Exporters should check with U.S. Customs or a U.S. Customs broker to ensure that these requirements are fulfilled.

Marking Country of Origin:

Every imported article must be legibly and conspicuously marked with the English name of its country of origin, unless the article is specifically exempted from marking. The object of this requirement is to indicate to the ultimate purchaser in the U.S.A. where the article was manufactured.

Canada Customs Entry Form B-13:

All commercial export shipments to the United States should be accompanied by a Canada Customs Entry Form B-13. This form is essential for Canadian manufacturers since it identifies the goods that have been exported and, where necessary, facilitates their return to Canada as in the case of computer equipment which may need to be returned to the point of manufacture for modification, retrofitting, repair or replacement.

The Customs Broker:

Each shipment must be cleared through U.S. Customs at a customs port of entry. Since documentation required by U.S. Customs has reached such a degree of refinement today, it is recommended that the services of a licensed U.S. customs broker be used to clear shipments. In the case of goods which are being transported by road, it is important that the Canadian exporter instructs his transportation company to surrender accompanying documents for customs clearance to a specific broker at the point of entry into the U.S. If this is not done, the carrier may choose his own broker, which can present problems. The position is somewhat different with goods