

PHASE-OUT OF MEXICAN TARIFFS ON CANADIAN GOODS

IMMEDIATE	FIVE YEARS	TEN YEARS
■ fish products	■ metal articles	■ furniture
■ telecom equipment	■ selected machinery	■ pharmaceuticals
■ fertilizers and sulfur	■ parts of electrical equipment	■ toys

Specific duties are charged on certain commodity items that are calculated by weight, volume, length or other unit. A customs processing fee equal to 0.8 percent of the F.O.B. invoice value is also assessed.

Mexico collects a value-added tax of 10 percent, similar to Canada's GST, whenever the ownership of goods changes. The tax is levied on the F.O.B. invoice and ad-valorem duties on most products. Certain products are exempt from the value-added tax, while some luxury items are charged a 20 percent tax.

All customs duties are paid by the Mexican importer or by the customs broker at the time the goods clear Mexican customs. The goods will not be released until the importer or the customs broker presents the import declaration proving payment of duties and taxes.

DUTY DRAWBACK RATES

Mexican companies or individuals involved in exporting can, in some cases, be eligible for a refund or drawback of duties or taxes paid on imports of raw materials, parts and components incorporated into merchandise for export. Components and raw materials imported in the in-bond *maquiladora* industry are also exempt from duties.

The new rules on duty drawback contained in NAFTA will give Canadian manufacturers greater flexibility in using inputs from non-NAFTA countries. These rules will allow credits for duties paid when inputs are incorporated into exports of manufactured products to other NAFTA countries. These duty drawbacks are to be terminated in two phases:

- by January 1, 2001, for Mexico-United States trade and Canada-Mexico trade; and,
- by 1996, for Canada-United States trade.

The 1994 deadline established in the FTA for the elimination of drawback programs will be extended for two years.

