

8. TARIFFS, TAXES AND OTHER EXPORTING ISSUES

TARIFFS AND TAXES

Since 1986, Mexico's maximum import tariff has been cut from 100 percent to 20 percent. Tariffs currently range from zero to 20 percent in five percent intervals. Very few tariffs fall into the five percent category and, on a weighted basis, Mexican tariffs average about 10 percent.

The North American Free Trade Agreement (NAFTA) will result in the elimination of most tariff barriers within North America over a period of ten years. Four major phase-out categories were agreed to:

- immediate elimination upon the entry into force of the NAFTA;
- in five annual steps (1994-1998);
- in ten annual steps (1994-2004); and
- in fifteen annual steps (1994-2008) for a limited number of U.S. products.

Tariff phase-outs between Canada and the United States will continue as scheduled under the Canada — U.S. Free Trade Agreement (FTA).

Several products of strategic interest to Canadian business are targeted for accelerated tariff phase-out under the NAFTA. They include: fertilizers, sulphur, aluminum ingots, agricultural products, construction and resource machinery, rail and industrial equipment, selected wood pulp and paper items, printed circuit boards, telecommunications equipment, pre-fabricated housing, medical equipment and auto parts.

Specific duties are charged on certain commodity items that are calculated by weight, volume, length or other unit. A customs processing fee called a *Derecho de Trámite Aduanal (DTA)* equal to 0.8 percent of the fob (free on board) invoice value is also assessed.

Mexico collects a value-added tax called the *Impuesto al Valor Agregado (IVA)* which is similar to Canada's GST. The tax is levied on the fob invoice and ad-valorem duties on most products. The general IVA rate is 15 percent. Certain products, such as unprocessed foods and agricultural products are exempt from the value-added tax, or pay a very low rate. Some luxury items are taxed at a 20 percent rate.

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 all duties and taxes.

PHASE-OUT OF MEXICAN TARIFFS ON CANADIAN GOODS

IMMEDIATE	FIVE YEARS	TEN YEARS
<ul style="list-style-type: none">• fish products• telecom equipment• fertilizers and sulphur	<ul style="list-style-type: none">• metal articles• selected machinery• parts of electrical equipment	<ul style="list-style-type: none">• furniture• pharmaceuticals• toys