

the point, but to put the matter beyond doubt the act is now revived. The remaining clauses of the bill have to do with procedure on appeals.

Section agreed to.

Sections 3 and 4 agreed to.

Bill reported, read the third time and passed.

CUSTOMS ACT AMENDMENT

VALUES FOR DUTY PURPOSES—DRAWBACKS IN RESPECT OF CONSUMABLE MATERIALS AND EXPORTED GOODS

Hon. J. L. ILSLEY (Minister of National Revenue) moved the second reading of Bill No. 84, to amend the Customs Act.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Sanderson in the chair.

On section 1—Governor in Council may order that import, excise and other duties and taxes be disregarded.

Mr. CAHAN: What is the explanation of this?

Mr. ILSLEY: There are certain countries which are imposing very heavy import taxes for revenue or other purposes. Chiefly, I believe, they are for revenue purposes. As the act stands at present the value for duty of goods imported from those countries must include these import duties or taxes, no matter how heavy or abnormal they may be. It is deemed unfair that such should be the case in all instances.

Sir GEORGE PERLEY: Unfair to whom?

Mr. ILSLEY: Unfair to the importers in this country. It prevents importation. The charges would be very much like the processing taxes of the United States, although they were domestic, rather than import taxes. The values of certain goods are greatly enhanced by the imposition of processing taxes in the United States. Therefore in arriving at values for duty purposes those taxes were left out of account. That is the law as it stands to-day. Those taxes are included under the heading of excise and other taxes.

I have not the Customs Act before me at the present time, but it was found that there are certain countries which import articles and, for purposes of revenue, impose very heavy duties. If they attempted to export those articles to Canada they would find it impossible to do so if we in valuing those articles for duty purposes included these very heavy import duties. This bill gives the governor in

council power, whenever it is deemed expedient so to do, to order that these import duties and taxes, in whole or in part, shall be disregarded in estimating the value for duty of goods of any kind imported into Canada from any specified country. It is not intended to disregard import duties generally, because that would be at variance with our whole system of valuation for duty purposes, but it is desired to take the power in special cases to deal with the situation. Otherwise trade with certain countries would be at a standstill.

Sir GEORGE PERLEY: How do those countries treat Canada in similar circumstances? Do they make the same allowance to us?

Mr. ILSLEY: I do not think Canada has any duties of the type I have in mind. But, answering the question specifically, most countries of the world value goods on a c.i.f. rather than an f.o.b. basis. There are only four or five countries which follow our system of using as the value for duty purposes the home market price of the goods in the country of origin. Most countries take the actual cost of the goods landed in the country of importation, including the freight, upon which to base their duty. If that were the case, then this point would not arise. For instance, a country using the c.i.f. basis of valuation can quote just as large a figure as it likes, and that price plus the freight to destination is used as the basis for duty. Under this provision we would have to take the home market price if for certain reasons a country had an abnormal import duty which enhanced the domestic price of the goods to a point where it was perhaps doubled or trebled. As the law stands at the present time that country could not export to Canada because we would have to take as our value for duty purposes this very high value.

Mr. BENNETT: The answer is: let them reduce their import duty.

Mr. DUNNING: It might be an internal tax.

Mr. BENNETT: That is another thing.

Sir GEORGE PERLEY: If we import material and manufacture and ship it out to another country, the value of our goods would include the import duty on the material so imported?

Mr. ILSLEY: No. We give a drawback.

Sir GEORGE PERLEY: This section leaves it to the option of the minister. I am not speaking personally, but whatever minister happens to be in office could do that.