



8. Canadian Customs Regulations

Canadian customs duties and import procedures must be carefully considered when doing business which involves goods or materials moving into or out of Canada.

Goods entering Canada are usually cleared at the nearest customs port, at which time duty (if any) is levied. The rate of duty, usually a percentage of the declared value, can vary according to the nature of the goods and because of trade agreements, the rate of duty can vary according to the country of origin or the country from which goods were shipped directly to Canada. The first requirement is a customs invoice covering the goods, and signed by the exporter. The invoice must show the place and date of purchase, the name of the firm or person from whom the goods were purchased, and a full description giving the quantity and value of each of the goods. Also required is a bill of entry containing the name of the importer and a full description of the goods.

If goods are to be imported into Canada on a continuing basis, exporters and importers are advised to contact Revenue Canada, Customs and Excise, in order to obtain rulings as to classification, rate of duty and valuation prior to commencing shipments.

Importing and Exporting

In general terms, the foreign investor may operate in Canada under the same forms of business organization as Canadian investors. No special federal licence or permit is required to conduct an import-export business. However, permits are required for the import or export of certain commodities, under the authority of the Export and Import Permits Act. The prospective importer or exporter must apply to the Office of Special Trade Relations, Department of External Affairs, Ottawa, Ontario, Canada K1A 0G2 each time he proposes to import or export a controlled item.

Import permits are required for a number of commodities including some dairy products, poultry products, sugar and coffee, various textile and clothing items, and endangered species.

Export permits are required for some goods especially strategic materials for shipment to certain specified countries.

The Export and Import Permits Act Handbook, Control Lists, Regulations, etc. are available from the Publishing Centre, Department of Supply and Services, Ottawa, Ontario, Canada K1A 0S9.

Tariff Structure, Classification and Rates

The Canadian Customs Tariff includes more than 3,000 classifications, or tariff items. While the majority of the classifications refer to specific commodities, many refer to the major component of the commodity in question.

The Customs Tariff sets out the rates of duty which apply to each item. Preferred rates exist in many cases for products from Commonwealth sources (except Hong Kong) and also for those from "developing nations". Goods from most other countries qualify for "Most-Favoured-Nation Tariff" and apply to goods from the United States, France, Italy, West Germany, Belgium, The Netherlands, Sweden, Norway, Denmark, etc. "Most-Favoured-Nation-Tariff" treatment has been accorded either through treaties or through the General Agreement on Tariffs and Trade (GATT).

Value for Duty

The value for duty of imported goods is generally taken to be the higher of their fair market value or selling price at the time when, and place from which, the goods were shipped directly to Canada. The fair market value declared should not be less than the equivalent price for a similar transaction at arm's length in the country of export. It is often prudent to seek advice as to an acceptable declared value, especially when a corresponding sales level does not exist in the country of export or the goods are not sold there in the same condition. Discounts are deductible in determining value for duty where they are shown, allowed and deducted on invoices covering sales for home consumption in the country of export. The Customs Act sets out in detail the rules for valuation purposes.

Verification of Value for Duty

The value for duty of imported goods depends on market and manufacturing conditions in the country of export and the exporter may be requested to provide information to prove the value that he has certified on the customs invoice. Such information may include certified copies of agreements and invoices covering sales to purchasers in the exporter's domestic market, price lists, discount schedules, purchase or manufacturing costs and particulars relating to the transaction with the importer in Canada.

Anti-dumping and Countervailing Duties

Canada, as a signatory to the General Agreement on Tariffs and Trade (GATT), has accepted agreement on