

# Trade Matters

a Newsletter on Customs & International Trade

No. 3 June 1997

## “Purchaser in Canada”

Revenue Canada has amended the *Valuation for duty regulations*. The amendments ‘clarify’ that the value for duty is the transaction price paid by a purchaser in Canada to a foreign supplier. This amendment was necessary due to a recent court case.









This amendment can apply to scenarios whereby there is more than one transaction price on a sale for export to Canada. An example: A US company sources goods from Asia for sale and delivery on a duty paid basis to a purchaser in Canada. Which transaction do you base the Value for duty? The transaction between the US company and their supplier *or* the value between the US company and the Canadian company? This amendment makes it clear that the value for duty should be the sale to the Purchaser in Canada. This has always been the policy of Revenue Canada but due to the *Harbour Sales* court decision they needed to change the regulations to be consistent with their policy. This could result in some importers paying duty on a higher value.

This has been enacted despite the fact that the World Trade Organization Valuation Code does not contain a residency requirement.

In certain circumstances, where a non-resident importer purchases goods for export to Canada but has not already sold these goods to a purchaser in Canada, the non-resident importer may be considered the purchaser in Canada.

## General Import Permits

### This Issue:

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As reported in our October Newsletter, Foreign Affairs & International Trade had greatly restricted their General Import Permit for low value textile goods. This meant that many more low value

textile shipments would require an import permit and in some cases an export

license. This General Import Permit has been amended again.

*Effective April 3rd, 1997, any person may, under the authority of this permit, import into Canada from any country apparel goods or other textile articles that for each importation:*

1. *have a value for duty, of not more than \$500.00; or*
2. *where their value for duty is greater than \$500.00, do not comprise more than 16 apparel goods or other textile articles.<sup>1</sup>*

These shipments no longer require an import permit nor do they need to be bona fide samples to avoid a permit.

## January 1, 1998

January 1st, 1998 will bring many changes to the Customs Tariff.

Some of the changes include elimination (tariffication) of “Annex Codes”, and the elimination of the Machinery Program. These changes are in theory to simplify the tariff and to be revenue neutral. *This does not mean that the changes will be revenue neutral in your case.* We recommend that you contact us to determine how this will impact your imports. We will have further notices to you as this tariff is finalized. This bill was not passed before the election was called. It is expected to be passed in September.

## New Trade Agreements

Canada has recently entered into two new trade agreements.

### Canada-Israel Free Trade Agreement

This came into force on January 1, 1997. This allows for immediate elimination of duties on most products of Israeli origin and allows Canada to compete on an even footing in the Israeli market with the US and Europe.

<sup>1</sup> Customs Notice N119

## Canada - Chile Free Trade Agreement

This should come into force on July 1, 1997. This agreement has similar rules to NAFTA with the intent that Chile will eventually be part of that agreement. It allows for gradual elimination of respective countries' duties over a 5 year period.

In the future, we see our relationship with you changing in a similar manner. We see this as broadening our role in our relationship with you. From serving you on a per shipment basis to focusing on your entire import/export process.

## News from Agriculture and Agri-Food Canada

### New Name

Effective April 1, 1997, Agriculture and AgriFood Canada's new title will be the "**Canadian Food Inspection Agency**".

This new Agency is an amalgamation of three government departments as follows:

- Food Production & Inspection of Agriculture and Agri-Food Canada
- Fish Inspection Branch of Fisheries and Oceans Canada
- Food Inspection Division of Health Protection Branch of Health Canada

### Import Service Centres

Effective March 24, 1997, we are able to obtain Agriculture release for most Agriculturally controlled product via fax 7 days a week, 20 hours per day. This also means that we can get pre-clearance from Agriculture on those products that are eligible. Original documents (for those shipments that require originals) must be submitted within 10 working days of the release request.

This will result in fewer shipment delays due to Agriculture requirements. Products that contain **Meat will not be able to fully take advantage of this system** at this time.

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## Periodic Verification by Customs

Canada Customs is gradually moving away from their focus on individual import transactions to a more holistic view of importers and customs brokers. In other words, less time spent examining individual transactions and more time and resources directed towards auditing importer's records. Customs will focus on an importer's systems and controls concerning customs valuation, correct classification of goods and their ability to detect non-report.

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## ACROSS Update

Canada Customs implemented "ACROSS" on April 22, 1996. ACROSS stands for Accelerated Commercial Release Operations Support System. This allows us to arrange for release of your goods at any port in Canada through an electronic link with Customs. **We are now an active participant in the ACROSS system.**

This system will help us to provide our clients with better service by speeding up the customs clearance and giving us more control over each customs transaction.

## Did You Know?

Out of a total of 150,000 importers, the largest 10 importers account for 27% of imports and the smallest 138,000 importers only account for 7% of imports.

## Harmonized Sales Tax

If your goods clear customs at a port in Nova Scotia, New Foundland or New Brunswick, we must charge HST on our Customs Brokerage charge. (i.e.: Ocean shipments destined for Vancouver via Halifax that customs clear in Halifax)

## What's New @ Courtney

We now accept VISA for payment of duties, taxes, freight as well as our service charges

## Freight rates

Ask us about our Ocean Import rates to anywhere in Canada or the USA

If there is anything you would like to see in future editions, please do not hesitate to contact us.

While we have made every effort to ensure accuracy, the materials contained in "Trade Matters" are necessarily brief and general in nature and should not be construed as legal opinion or advice. **For more specific advice, please contact us.**

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