

Subsection 1.—The Canadian Tariff Structure*

The Canadian Tariff consists, in the main, of three sets of tariff rates—British Preferential, Most-Favoured-Nation, and General.

British Preferential Tariff rates are, with some exceptions, the lowest rates. They are applied to imported dutiable commodities shipped direct to Canada from countries of the Commonwealth and from the British colonies and other dependent overseas territories. Some Commonwealth countries have trade agreements with Canada which provide for rates of duty, on certain specified goods, lower than the British Preferential rates.

Most-Favoured-Nation rates are usually higher than the British Preferential rates and lower than the General Tariff rates. They are applied to commodities imported from countries outside the Commonwealth with which Canada has made trade agreements. The most important trade agreement concerning the effective rates applied to goods imported from countries entitled to Most-Favoured-Nation rates is the General Agreement on Tariffs and Trade (GATT).

General Tariff rates are applied to goods imported from the few countries with which Canada has not made trade agreements.

There are numerous goods which are duty free under the British Preferential Tariff, or under both the British Preferential and Most-Favoured-Nation Tariff, or under all Tariffs.

Valuation.—In general, the Customs Act, as amended effective Sept. 6, 1958, provides that the value for duty of imported goods shall be the fair market value of like goods as established in the home market of the exporter at the time when and place from which the goods are shipped directly to Canada when sold "(a) to purchasers located at that place with whom the vendor deals at arm's length and who are at the same or substantially the same trade level as the importer, and (b) in the same or substantially the same quantities for home consumption in the ordinary course of trade under competitive conditions" In cases where like goods are not sold for home consumption but similar goods are sold, the value for duty shall be the cost of production of the goods imported plus an amount for gross profit at least equal in percentage to that earned on the sale of similar goods in the country of export. The value for duty may, in no case, be less than the amount for which the goods were sold to the purchaser in Canada, exclusive of all charges thereon after their shipment from the country of export. Internal taxes in the country of export (when not incurred on exported goods), the cost of shipping goods to Canada and similar charges, do not normally form part of the value for duty. There are, of course, further provisions for determining value for duty under the Act.

Dumping.—Sect. 6 of the Customs Tariff provides that when the actual selling price of goods being imported is less than their fair market value and the goods are of a class or kind made or produced in Canada, a special or dumping duty shall be collected. This duty is to be equal to the difference between the actual selling price and the fair market value of the goods, except that it may not be more than 50 p.c. of the value for duty. These provisions are designed to offset the advantage foreign exporters may achieve by exporting to Canada at less than the going prices.

Drawback.—There are provisions in the Customs and Excise Tax Acts for the repayment of a portion of the duty, sales and/or excise taxes paid on imported goods used in the manufacture of products later exported. The purpose of these drawbacks (as these repayments are called) is to assist Canadian manufacturers to compete in foreign markets with foreign producers of similar goods. A second class of drawback, known as "home consumption" drawbacks, is provided for under the Customs Tariff Act and applies to imported materials and/or parts used in the production of specified goods to be consumed in Canada.

* Information relating to rate of duty and value for duty is available from the Department of National Revenue, Customs and Excise Division, which administers the Customs Act and the Customs Tariff Act.