

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 with which Canada has trade agreements. These rates would apply to British countries when they are lower than the British Preferential Tariff rates. 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 Tariffs, or under all Tariffs.

Valuation.—In general, the Customs Act 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 equal in percentage to that earned on the sale of similar goods in the country of export. The value for duty ordinarily may not 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 the 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. ad valorem. These provisions are designed to offset the advantage foreign exporters may achieve by exporting to Canada at less than the going prices in the country of export.

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 Act and the Customs Tariff Act and applies to imported materials and/or parts used in the production of specified goods to be consumed in Canada.

The Tariff Board.—The organization and functions of the Tariff Board are described at p. 140 of this volume.

Subsection 2.—Tariff and Trade Arrangements with Other Countries as at Sept. 15, 1966

Canada's tariff arrangements with other countries fall into three main categories: trade agreements with a number of Commonwealth countries; the General Agreement on Tariffs and Trade (GATT); and other agreements and arrangements.