

Section 2.—The Development of Tariffs

Limitations of space in the Year Book have made it necessary, in regard to tariffs, to adopt the policy of confining any detail regarding commodities and countries to tariff relationships in force at present and to summarize as much as possible historical data and details of preceding tariffs.

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 commodities from British countries, with the exception of Hong Kong, when conveyed without trans-shipment from a port of any British country enjoying the benefits of the British Preferential Tariff into a port of Canada. 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 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

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