

### 21.6.3 Tariff rates

The customs tariff sets out five different tariff treatments: the British preferential, most-favoured-nation, general and general preferential. Special tariff rates also exist for certain goods imported from Australia and New Zealand, and the Commonwealth Caribbean countries.

**General tariff rates** are applied to goods imported from countries with which Canada has no tariff arrangements, such as Albania, Balau Islands, North Korea, Libya, Oman and Saudi Arabia. The German Democratic Republic, once subject to general tariff rates, is now entitled to most-favoured-nation rates. General tariff rates may apply to goods imported when the country of origin cannot be determined.

**Most-favoured-nation rates** are tariff rates fixed by Parliament as being generally more favourable than the general tariff. These rates reflect Canada's international tariff arrangements such as GATT or specific bilateral trade agreements. These rates apply conditionally to those goods for which most-favoured-nation treatment is claimed.

**The British preferential tariff rates** are fixed by Parliament and offer more preferential (lower) rates of duty than the most-favoured-nation rates to certain commodities of British Commonwealth countries or any other British colony or protectorate or territory under British trusteeship as provided for in Section 26 of the customs tariff. South Africa is entitled to most-favoured-nation rates rather than British preferential rates. Furthermore, some of these countries, such as Australia, are offered through bilateral trade agreements a preferential tariff rate.

**General preferential tariff rates** are formula-based rates and reflect, since July 1974, Canada's international commitment to developing countries under a generalized system of preferences. The formula, as established by Parliament, generally provides for a margin of preference to be either equivalent to the British preferential tariff rate or one-third less the most-favoured-nation rate.

**Commonwealth Caribbean tariff rates.** Section 53 of the customs tariff provides special free rates of duty for many products originating from Commonwealth Caribbean countries.

In all five tariff-treatments, goods are subject to various rates of duty including a free rate of duty.

**Value for duty.** Canada's system of valuing imported goods is known as the transaction value system. It is based on an internationally approved set of rules, under the GATT (General Agreement

on Tariffs and Trade), and is referred to as the customs valuation code; many of Canada's trading partners value imported goods using the same basic rules. The code provides for a fair, uniform, and neutral system which values goods in accordance with commercial realities and in which arbitrary or fictitious customs values are prohibited.

The transaction value system stipulates that the transaction value method must be used whenever possible. This method bases the customs value on the price you pay for the goods. This price may have to be adjusted for certain deductions or additions. If the transaction value method cannot be used, one of the other five methods of valuation must be used, according to an established sequence. These other methods are known as transaction value of identical goods method; transaction value of similar goods method; deductive value method; computed value method; and residual method.

**The Special Import Measures Act (SIMA)** provides the basis in law for the department's anti-dumping and countervailing duty program. Dumping occurs when goods are sold for export to Canada at prices lower than those prevailing in the exporter's domestic market. Where dumped imports have caused injury to Canadian production, the amount or margin of dumping may be offset by the imposition of anti-dumping duty. Similarly, when imports are unfairly subsidized by foreign governments, the subsidy can be offset by the levy of countervailing duty. The imposition of anti-dumping or countervailing duty is a measure taken to protect Canadian industries from unfairly-priced imports which cause or may cause injury to Canadian production of competing goods. In order to determine whether anti-dumping or countervailing duty should be imposed, the department investigates the pricing practices of the exporter and the level of foreign subsidies provided.

**Drawback.** Drawback legislation is designed to provide relief from customs duty and sales tax included in the manufacturers' costs to enable them to compete more equitably both abroad and at home with foreign manufacturers. It does this by granting a drawback, in the case of Canadian exporters, of customs duty and sales taxes paid on imported parts or materials used in Canada in the manufacture of goods subsequently exported. In certain strategic industries in Canada (aircraft, automobiles and other secondary manufacturers) costs of plant equipment or key materials are reduced in the same manner when specified imported goods are used in eligible Canadian manufacturing. Other areas where drawbacks