

## Section 2.—The Development of Tariffs

A short sketch of trade and tariffs prior to Confederation is given in the 1940 Year Book, pp. 480-482. The 1942 Year Book, pp. 427-428, traces the development from Confederation to the adoption in 1904 of the present form of preferential tariff.

Owing to the limitations of space in the Year Book, it has been 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, giving references to those editions of the Year Book where extended treatments may be found.

### 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.

The 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.

The Most-Favoured-Nation rates are usually higher than British Preferential rates. They are applied to dutiable commodities imported from countries outside the Commonwealth with which Canada has made trade agreements. The rates are usually lower than the General Tariff rates. Under trade agreements made with various countries, rates of duty lower than the Most-Favoured-Nation rates may be applied to goods from those countries. 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.

The 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.*—Sect. 35 of the Customs Act provides that, when any *ad valorem* duty is imposed, the value of the goods for purposes of calculating the duty "shall be the fair market value of such or the like goods when sold for home consumption in the ordinary course of trade under fully competitive conditions, in like quantities and under comparable conditions of sale, etc." or, the price for which the goods were sold to the purchaser in Canada, whichever is the greater. There are further provisions for determining the value for duty when the fair market value cannot be found. Internal taxes in the country of export, the cost of shipping the goods to Canada, and similar charges, however, are not included in the value for duty.

*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

\* The schedules and rates in force at any particular time may be obtained from the Department of National Revenue, Ottawa, which is responsible for administering the Canadian Tariff.