

MEMORANDUM D13-2-5

Ottawa, March 19, 2001

SUBJECT

CUSTOMS VALUATION: EFFECTS OF THE GOODS AND SERVICES TAX

This Memorandum provides information relating to the value for duty of goods imported into Canada and the application of the goods and services tax (GST).

GUIDELINES AND GENERAL INFORMATION

1. Subsection 215(1) of the *Excise Tax Act* provides that the value of imported goods, for the purpose of determining the GST liability thereon, is the total of:
 - (a) the value as it would be determined for the purpose of calculating a duty; and
 - (b) the amount of all duties and taxes payable on the imported goods under the *Customs Tariff*, the *Special Import Measures Act*, the *Excise Tax Act* (other than the GST), or under any other law relating to customs.
2. The value thus determined is referred to herein as the “value for tax.”
3. Therefore, the value for tax will be the aggregate of:
 - (a) the same value as that determined under sections 47 to 55 of the *Customs Act*; and
 - (b) all federal duties and taxes (with the exception of the GST) that are levied on the subject imported goods.
4. Accordingly, the calculation of the value for tax of imported goods does not entail additional requirements regarding value for duty determination.

Appraisal or Re-Appraisal of the Value for Duty

5. Where an appraisal of the value for duty under section 58 of the *Customs Act* or a re-appraisal under section 61 or 64 of the *Customs Act* results in an increase to the amount of duties and taxes as determined at the time of accounting, the Canada Customs and Revenue Agency (CCRA) will collect the amount for duties and taxes including the GST. In cases where an appraisal or re-appraisal results in a reduction of duties and taxes, customs will refund all amounts including the GST due to the casual importer and unregistered commercial importers. In the case of registered commercial importers, if an input tax credit has not already been claimed for the outstanding amount of GST, an application for a rebate may be filed with the CCRA on Form GST189, *General Application for Rebate of Goods and Services Tax (GST)/Harmonized Sales Tax (HST)*. A balance of less than \$2 GST will not be refunded or rebated.

Additions and Deductions Under the Transaction Value Method (Section 48 of the *Customs Act*)

6. Additions: where the importer has paid GST on any element of, or additions to, the price paid or payable for the imported goods, the amount of GST paid will not form part of the cost of the imported goods for the purpose of determining the value for duty.

7. Deductions: certain costs, charges, and expenses may be deducted from the price paid or payable when determining the value for duty, e.g., customs brokerage fees included in a CIF (cost, insurance, and freight) price. As only the actual cost may be deducted, any GST paid, where it is subject to an input tax credit or some other manner of refund, is not to be regarded as a cost, charge, or expense and is therefore not to be included as part of the amount of a deduction from the price paid or payable.

8. For more information, see Memorandum D13-4-3, *Customs Valuation: Price Paid or Payable (Customs Act, Section 48)*, and Memorandum D13-4-7, *Adjustments to the Price Paid or Payable (Customs Act, Section 48)*.

Application of the Deductive Value Method (Section 51 of the *Customs Act*)

9. Where value for duty is determined under section 51 of the *Customs Act*, the price per unit, as determined under subsection 51(3) of the *Customs Act*, will be the price per unit exclusive of GST or other domestic retail sales taxes. In determining the deduction from the price per unit under subsection 51(4) of the *Customs Act*, any GST paid is similarly not to be regarded as a cost, charge, or expense where it would become an input tax credit serving as an offset against any GST charged on sales. For more information, see Memorandum D13-7-1, *Determination of the Price Per Unit (Customs Act, Section 51)*, and Memorandum D13-7-3, *Deductions From the Price Per Unit (Customs Act, Section 51)*.

Application of the Harmonized Sales Tax on Imported Goods

10. The federal government and the provincial governments of Nova Scotia, New Brunswick, and Newfoundland reached an agreement on the harmonized sales tax (HST) system and implemented the HST on April 1, 1997. The HST applies at a single rate of 15% to goods and services destined for consumption in the participating provinces. The rules governing the operation of the tax are the same as for the GST. Accordingly, the HST is applied to all goods which are currently subject to the GST. Goods that are currently zero-rated or exempt from GST under the federal legislation are also zero-rated or exempt from the HST.

11. The HST of 15% is applied to imported casual goods destined for consumption in the participating provinces. Casual goods are defined as goods not for sale or for any commercial, industrial, occupational, institutional, or like use. In the case of imported commercial goods, only the 7% GST, as currently required, is payable at the time of importation. The remaining 8% provincial portion is payable through the self-assessment provisions of the legislation.

REFERENCES

ISSUING OFFICE –

Origin and Valuation Policy Division
Trade Policy and Interpretation Directorate

LEGISLATIVE REFERENCES –

Customs Tariff, sections 47 to 55, 58, 61, and 64
Excise Tax Act, paragraph 118(1)(b), subsection 215(1)

HEADQUARTERS FILE –

7034-5-72

SUPERSEDED MEMORANDA “D” –

D13-2-5, October 3, 1997

OTHER REFERENCES –

D13-3-4, D13-4-7, D13-7-1, D13-7-3

Services provided by the Canada Customs and Revenue Agency are available in both official languages.

This Memorandum is issued under the authority of the Commissioner of Customs and Revenue.