

# MEMORANDUM D13-7-3

Ottawa, March 8, 2001

## SUBJECT

### DEDUCTIONS FROM THE PRICE PER UNIT (CUSTOMS ACT, SECTION 51)

This Memorandum outlines and explains the deductions to be made from the price per unit in determining the deductive value.

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#### GUIDELINES AND GENERAL INFORMATION

1. Subsection 51(4) of the *Customs Act* provides that certain amounts are to be deducted from a price per unit in determining the deductive value (see Memorandum D13-7-1, *Determination of the Price Per Unit (Customs Act, Section 51)*).

##### **Commissions or Profit and General Expenses**

2. An amount for commissions or for profit and general expenses is to be deducted from the unit price. The amount to be deducted is that which is generally earned or reflected on a unit basis in sales of imported goods of the same class or kind in Canada.

3. Section 5 of the *Valuation for Duty Regulations* states that the amount for profit and general expenses is to be determined on the basis of information prepared in a manner consistent with generally accepted accounting principles (see Memorandum D13-1-1, *Valuation for Duty Regulations*, and Memorandum D13-3-8, *Generally Accepted Accounting Principles (Customs Act, Sections 48 to 53)*).

4. Under subsection 5(1) of the Regulations, the information, in the first instance, is to be supplied by or on behalf of the importer. Normally, this information need only relate to sales in Canada made by the importer. If these figures are themselves based on sufficient information prepared in accordance with generally accepted accounting principles and are consistent with figures obtained from sales in Canada of imported goods of the same class or kind, they will be considered acceptable. The figures used by customs to determine if the importer's own figures are acceptable will be obtained from sales in Canada of goods of the same class or kind by importers who are not related to the vendor and/or importers who, though related to the vendor, have previously demonstrated to customs that the price paid or payable has not been influenced by the relationship. The sales examined will be from the narrowest group or range of imported goods of the same class or kind as the goods being appraised, including the goods being appraised, by importers who are not related to their vendor or by importers who, though related to their vendor, have previously demonstrated to customs that the price paid or payable has not been influenced by the relationship.

5. Where the amount for profit and general expenses supplied by or on behalf of the importer is acceptable, customs will apply it under paragraph 51(4)(a) of the *Customs Act*. Where the figures supplied by or on behalf of the importer are unacceptable, customs will apply an amount determined in accordance with section 5 of the *Valuation for Duty Regulations* and paragraph 4 of this Memorandum.

#### **Transportation Costs Within Canada**

6. An amount may be deducted from the price per unit equal to the costs, charges, and expenses generally incurred in respect of the transportation and insurance in connection with sales in Canada of the goods upon which the price per unit is based. It should be noted that this deduction shall only be made if such an amount has not already been deducted in respect of general expenses under paragraph 51(4)(a).

#### **Transportation Costs From the Place of Direct Shipment**

7. An amount may be deducted from the price per unit equal to the costs, charges, and expenses in respect of the transportation and insurance from the place of direct shipment of the goods upon which the price per unit is based. It should be noted that such a deduction is to be made only where such an amount has not already been deducted in respect of general expenses under paragraph 51(4)(a) (see Memorandum D13-4-7, *Adjustments to the Price Paid or Payable (Customs Act, Section 48)*, and Memorandum D13-3-4, *Place of Direct Shipment (Customs Act, Sections 48 to 54)*).

#### **Duties and Taxes**

8. The amount of duties and taxes paid in respect of the goods is to be deducted from the price per unit, to the extent that an amount for such duties and taxes is not deducted in respect of general expenses under paragraph 51(4)(a).

#### **Costs of Assembly, Packaging, or Further Processing**

9. If the goods being appraised are assembled, packaged, or further processed after importation and if sales of these goods are used in determining the price per unit, the value added by this work is to be deducted from the price per unit. The amount to be deducted for the value added by assembly, packaging, or further processing will be based on sufficient information relating to the cost of such work. Reference can be made to industry formulae, recipes, methods of construction, and other industry practices in determining the amount to be deducted.

10. Paragraph 51(4)(e) would normally not be applicable when, as a result of the further processing, the imported goods lose their identity. However, there can be instances where, although the identity of the imported goods is lost, the value added by the processing can be determined accurately without unreasonable difficulty. On the other hand, there can also be instances where the imported goods maintain their identity but form such a minor element in the goods sold in Canada that the use of this valuation method would be unjustified. In view of the above, each situation of this type must be considered on a case-by-case basis.

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## REFERENCES

### ISSUING OFFICE –

Origin and Valuation Policy Division  
Trade Policy and Interpretation Directorate

### LEGISLATIVE REFERENCES –

*Customs Act*, paragraph 51(2)(c), and subsection 51(4)  
*Valuation for Duty Regulations*, section 5

### HEADQUARTERS FILE –

N/A

### SUPERSEDED MEMORANDA “D” –

D13-7-3, January 1, 1991

### OTHER REFERENCES –

D13-1-1, D13-2-5, D13-3-4, D13-3-8, D13-4-7, D13-7-1

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