

## MEMORANDUM D13-3-9

Ottawa, March 29, 2001

### SUBJECT

### PACKAGE DEALS

This Memorandum outlines and explains the application of the valuation sections of the *Customs Act* to importations of goods sold as package deals.

---

### GUIDELINES AND GENERAL INFORMATION

1. A package deal is an agreement to pay a single price for a group of goods sold together, the price of the goods being the only consideration. The substance of the agreement needs to be examined in order to ensure that the sale is not subject to some condition or consideration with respect to the goods, for which a value cannot be determined, which would preclude the goods from being valued under the transaction value method, under paragraph 48(1)(b).
2. To illustrate, a vendor and a purchaser negotiate a sale in which 5 units of product A and 5 units of product B, which normally sell for \$10 per unit and \$20 per unit respectively, are sold for a total package price of \$135. This situation would constitute a package deal and the provisions of paragraph 48(1)(b) would not come into play, i.e., there is no condition or consideration with respect to the goods for which a value cannot be determined. However, if the sale (quantity and/or price) of the package is conditional upon the purchaser buying, at a future time, a certain quantity of product C, there then exists a condition or consideration, as envisaged by paragraph 48(1)(b). This arrangement is known as a tie-in sale, and the package comprised of products A and B could then not be valued under section 48.

#### Value for Duty of Package Deals

3. If a price paid or payable can be established for the total package, the package may be valued under the transaction value method (section 48 of the *Customs Act*), providing that the other requirements of that section are met. The fact that the shipment contains items that are not priced separately does not preclude the use of section 48 in valuing a package deal (see Memorandum D13-4-3, *Customs Valuation: Price Paid or Payable (Customs Act, Section 48)*).
4. In cases where there is a price paid or payable for a package deal but one of the other requirements for, or limitations on, the use of transaction value is not met, the package must be valued under a subsequent method of valuation (see Memoranda D13-4-4, *Limitations on the Use of Transaction Value (Customs Act, Section 48)*, and D13-3-1, *Methods of Determining Value for Duty*).
5. In cases where there isn't sufficient information to determine a value for duty for the package under the other methods of valuation (sections 49 to 52 of the *Customs Act*), the value for duty may be determined under the residual method (section 53). Under section 53, the value of each of the separate items in the package will be determined, using one of the methods outlined in sections 49 to 52 of the *Customs Act*, and the aggregate of these values will be used as the value for duty of the goods being appraised.

## Apportionment of Total Package Costs

6. If the goods contained in the package are classified under different classification numbers, it is necessary to apportion the total package price among the individual goods that form part of the package deal for the purpose of applying the *Customs Tariff*. Once the value for duty of the package has been determined, the apportionment is not an application of valuation provisions, but is one of customs administration.
7. In making such an apportionment, the price or cost breakdowns must be reasonable and based on sufficient information. The following examples will serve as guidelines as to what may constitute sufficient information for purposes of apportioning the package deal:
- (a) the price breakdown of the separate items in the package may be determined by examining importations of identical goods and this breakdown applied to the package in question; or
  - (b) cost breakdowns, supplied by the producer or vendor of the goods being appraised, through the importer, which conform to generally accepted accounting principles based on:

- (1) the cost of production of the goods being appraised; or
- (2) the vendor's acquisition cost of the goods being appraised.

8. The following example illustrates how an apportionment of the total package price may be made in cases where goods are classified under different classification numbers:

A tent and a camp cot are imported as a package with a declared value of \$80. The requirements of section 48 of the *Customs Act* have been met and the value for duty of the package deal has been determined to be \$80. In order to apportion the value, previous importations of tents and cots, imported separately, are examined and found to have the following values:

Tent	\$ 70
Cot	<u>\$ 30</u>
Total	\$100

Based on this breakdown, the tent represents 70% of the value of the total and the cot represents 30%.

Applying these percentages to the package in question, the tent represents 70% of \$80, or \$56, and the cot represents 30% of \$80, or \$24.

9. In importations of package deals where the goods contained in the package are classified under the same classification number, it is not necessary to make an apportionment such as that contained in the foregoing example. In such cases, it is sufficient to determine the value for duty of the total package, providing the same rate of sales tax also applies.
-

## **REFERENCES**

### **ISSUING OFFICE –**

Origin and Valuation Policy Division  
Trade Policy and Interpretation Directorate

### **LEGISLATIVE REFERENCES –**

*Customs Act*, sections 48 to 53

### **HEADQUARTERS FILE –**

7034-5-32

### **SUPERSEDED MEMORANDA “D” –**

D13-3-9, January 1, 1988

### **OTHER REFERENCES –**

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

**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.**