



Ottawa, May 8, 2003

CUSTOMS NOTICE N-512

Treatment of Discounts in Determining the Transaction Value (*Customs Act*, Section 48) and the Value for Duty Code

1. The purpose of this notice is to clarify the use of codes 13, 14, 23, and 24 when completing the customs accounting document and how to treat discounts in the transaction value method.
2. The *Customs Act* defines “price paid or payable,” in accordance with subsection 45(1), as “the aggregate of all payments made or to be made, directly or indirectly, in respect of the goods by the purchaser to or for the benefit of the vendor.”
3. Discounts (e.g. cash discounts) are agreed to and/or negotiated between the vendor and the purchaser and fall within the determination of the price paid or payable. The adjustment provisions in subsection 48(5) do not include discounts. It should also be noted that the term “discounts” does not refer to reductions, rebates etc. under paragraph 48(5)(c).
4. Memorandum D17-1-10 (*Coding of Customs Accounting Documents*) states that the value for duty code uses a combination of one of the first-digit code numbers and one of the second-digit code numbers to indicate the basis on which the value for duty was determined. The first-digit code indicates if any relationship exists (“1” for non-related firms and “2” for related firms as defined in

section 45(3) of the *Customs Act*). The second digit indicates the valuation method that was used. Memorandum D17-1-10 also states that value for duty code 13 should reflect the “price paid or payable without adjustments (section 48 of the *Customs Act*),” and that value for duty code 14 should reflect the “price paid or payable with adjustments (section 48 of the *Customs Act*).” The term “adjustment” relates to any addition or deduction set out in subsection 48(5).

5. As a result, discounts that are fulfilled or met prior to the importation should not be considered as adjustments but rather be considered when determining the price paid or payable (reference: Memorandum D13-4-10). Only a cash or prompt payment discount can be considered in reducing the price paid or payable after the importation of goods to Canada. All other discounts must be effected prior to the importation of goods. This is in accordance with paragraph 48(5)(c). The value for duty code field on accounting documents should be completed as follows:

- Cash/Trade discounts: code 13 or 23
- Adjustments under subsection 48(5): code 14 or 24

6. For more information regarding this notice, please contact your local customs Client Services office.

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