



Customs Valuation Handbook

How to establish the value for duty of
imported goods



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Catalogue No. PS38-106/2019E-PDF
ISBN : 978-0-660-33038-9

This document is available on the Canada Border Services Agency
website at www.cbsa-asfc.gc.ca

This document is available in alternative formats upon request.
Aussi offert en français sous le titre : Guide sur l'établissement de la valeur en douane :
Comment déterminer la valeur en douane des marchandises importées.

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Introduction

A "value for duty" is the base figure used to calculate duty owed for goods being imported into Canada.

Sections 44 to 56 of the [Customs Act \(Act\)](#), [Valuation for Duty Regulations](#), [Direct Shipment of Goods Regulations](#) and [Currency Exchange for Customs Valuation Regulations](#) address customs valuation requirements.

This handbook is a reference tool that gives basic information on the valuation provisions of the [Customs Act \(Act\)](#), and will help to:

- understand the six methods of customs valuation;
- identify the most appropriate method to value the goods being imported; and
- calculate the value for duty of the imported goods.

This handbook includes value for duty calculation templates for each valuation method, which are provided for guidance purposes only. Likewise, the information in this **handbook does not replace** legislation in the [Act](#) or the regulations, nor any policy and procedures contained in the Canada Border Services Agency's (CBSA) Departmental Memoranda (D Memoranda) series of publications.

Value for Duty Declaration

A value for duty must be declared for all goods imported into Canada, including goods received free of charge (e.g. gifts), in accordance with the valuation provisions of the [Act](#), regardless of the circumstances of their importation. Even if duties are not owed, the value for duty of the goods being imported must still be established so that any applicable assessment of the goods and services tax, provincial sales tax or harmonized sales tax may be calculated and accurate importation and international trade statistics can be gathered.

The value for duty of all goods imported to Canada must be declared in Canadian currency. Values expressed in a foreign currency must be multiplied by the exchange rate recognized by the CBSA (i.e. the Bank of Canada rate) in effect on the date that the goods began their direct and uninterrupted journey to Canada.

World Trade Organization Customs Valuation Agreement

Canada and most of its trading partners value imported goods based on the rules included in the [World Trade Organization's Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994](#), which is also referred to as the Customs Valuation Agreement. The Customs Valuation Agreement establishes a fair, uniform and neutral system for valuing goods in accordance with commercial reality, and prohibits the use of arbitrary or fictitious customs values. Its goal is to ensure that the customs value of all goods entering all World Trade Organization (WTO) Member countries is established using the same rules, and that the valuation of goods is not a barrier to trade.

Methods of Customs Valuation

The value for duty must be established using one of the six methods of customs valuation identified in sections 48 to 53 of the [Act](#):

- transaction value method
- transaction value method of identical goods
- transaction value method of similar goods
- deductive value method
- computed value method
- residual basis of appraisal method

The first of the six methods, the transaction value method, must be used whenever possible to determine the customs value of imported goods.

If the value for duty of the imported goods cannot be established using this first method, the alternative methods must be considered in the sequential order in which they appear in the [Act](#), in order to identify the method that is appropriate.

The CBSA D Memoranda in the [D13 series](#) specifically address customs valuation.

Request a ruling

Importers are strongly encouraged to request a ruling if they have any doubt as to the correct value for duty of goods, particularly when considering discarding the transaction value method and applying an alternate valuation method. The procedures for obtaining a ruling are outlined in [Memorandum D11-11-1](#), *National Customs Rulings (NCR)*.

Corrections to the declared value for duty

It is important for an importer to take the time to determine the correct value for duty. If an importer has reason to believe that the value for duty declared is incorrect, an adjustment to value for duty is necessary where the correction results in either money payable to the CBSA or is revenue neutral. For more information, see [Memorandum D11-6-6](#), "Reason to Believe" and *Self-Adjustments to Declarations of Origin, Tariff Classification and Value for Duty*.

Transaction value method

The transaction value method is outlined in section 48 of the [Act](#) and is the primary method of customs valuation. It applies where goods are sold for export (*see questions 1 and 2 below*) to Canada to a purchaser in Canada (*see question 3 below*). Under this method, the value for duty is based on the price paid or payable (*see question 4 below*) for imported goods with consideration to certain adjustments. The answers to the following questions will help to determine if the transaction value method is applicable.

1. Has a sale occurred?

Yes No

Under the transaction value method the goods must be imported to Canada as a result of a sale. A sale requires a transfer of ownership of goods for a monetary amount (a price). While not an exhaustive list, examples of situations that would not be considered a sale for export to Canada are:

- goods imported on consignment
- leased goods
- barter transactions
- trade-ins
- goods invoiced or received at no charge (e.g. items received free of charge, gifts, free samples or promotional items, etc.)

2. Was there a sale for export to Canada?

Yes No

The goods must have been imported into Canada as a direct result of the sale agreement between the purchaser and the vendor.

It is important to identify the relevant sale for export to Canada where there is more than one sale or agreement to sell before the goods are imported into Canada (a series of sales). The relevant sale for export is the sale in which the purchaser in Canada (identified in question 3 below) is directly involved.

This may also result in instances where the importer of record of the goods differs from the person qualifying as the purchaser in Canada. In order to apply the transaction value method, the value for duty must be based on the relevant sale for export to Canada to a purchaser in Canada.

For more information see [Memorandum D13-4-2, Customs Valuation: Sold for Export to Canada](#), including the examples of various import transaction situations provided in the Appendix.

3. Was the sale for export to Canada to a purchaser in Canada?

Yes No

In accordance with Section 2.1 of the [Valuation for Duty Regulations](#), to be considered a purchaser in Canada, one must qualify as either:

- (a) a resident;
- (b) a permanent establishment in Canada; or *in the absence of (a) or (b)*
- (c) a person who is importing goods into Canada:
 - (i) for their own consumption, use or enjoyment in Canada but not for sale, or
 - (ii) for sale in Canada, provided that before the purchase of the goods, the person has not entered into an agreement to sell the goods to a resident.

For more information, see [Memorandum D13-1-3 Customs Valuation: Purchaser in Canada](#).

4. Can the price paid or payable for the goods be determined?

Yes No

Subsection 45(1) of the [Act](#) defines price paid or payable 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. This means that the sum of all payments a purchaser makes to or for the benefit of a vendor must be included in the transaction value, even when the payments are not included in the price shown on the commercial invoice or in the contract for the imported goods.

Some considerations in determining the price paid or payable include:

- invoice price
- storage expenses
- credits for earlier transactions
- warranty payments
- settlement of a debt on behalf of the vendor
- price escalation clauses
- export duties and taxes
- foreign sales tax

All discounts that apply prior to or at time of importation should be considered when determining the price paid or payable. Discounts prompted after importation – such as prompt payment (cash) or retroactive quantity purchase discounts – may also be considered provided that the purchaser and vendor agreed in writing to the discount arrangement before importation.

For more information, see [Memorandum D13-4-3 Customs Valuation: Price Paid or Payable](#), and [Memorandum D13-4-10 Price Reductions](#).

If the answer to all of these questions is **yes**, the principal requirements for using the transaction value method have been met. Please continue to Question 5.

If the answer to any of these questions is **no**, the transaction value method is not applicable. The transaction value of identical goods method must be considered next. Please continue to the section titled "Transaction value of identical goods method or transaction value of similar goods method".

5. Are there any restrictions on the disposal or use of the goods imposed on the purchaser? Yes No

The following restrictions do not have to be considered when responding to this question:

- restrictions imposed by law
- geographical restrictions
- restrictions that do not substantially affect the price

6. Is the sale or price of the goods being imported subject to any conditions or considerations for which a value cannot be determined? Yes No

Generally, the transaction value method cannot be used if the sale or price is subject to a condition or consideration for which a value cannot be determined.

For example, the purchase price of a new vehicle is reduced by an amount ascribed by the vendor to a trade-in vehicle. The amount ascribed to the trade-in is a notional value established by the vendor and may vary from one vendor to another. It therefore represents a consideration for which a value cannot be determined and precludes the use of the transaction value method based on the lower purchase price (i.e. the final price paid by the customer after the reduction for the ascribed value of the trade-in).

If the answer to questions 5 and 6 is **no**, please continue to Question 7.

If the answer to question 5 or 6 is **yes**, there is a limitation on the applicability of the transaction value method. As a result, the transaction value of identical goods method must be considered next. Please continue to that section.

The individual limitations are described in greater detail in [Memorandum D13-4-4, Limitations on the Use of the Transaction Value Method](#).

7. Does the purchaser have to make any additional payments to the vendor in respect of the goods after importation or pay the vendor any proceeds as a result of a subsequent resale, disposal or use of the goods? Yes No

If the answer is **no**, please continue to Question 8.

If the answer is **yes**, then the amount identified must be included in the value for duty. For more information, see [Memorandum D13-4-13, Post-importation Payments or Fees \(Subsequent Proceeds\)](#).

Furthermore, if the answer is **yes**, but the value of these payments cannot be determined and added to the price paid or payable for the goods under paragraph 48(5)(a), then a value for duty for those goods cannot be determined under the transaction value method and the transaction value of identical goods method would need to be considered next. However, before discarding the transaction value method and identifying an alternative valuation method, the CBSA's Border Information Service (BIS) at 1-800-461-9999 may be consulted or an application for a NCR may be made with the regional CBSA trade office in the region into which the majority of importations are expected to occur. See [Memorandum D11-11-1 National Customs Rulings](#) for further details.

8. Are the purchaser and vendor related? Yes No

Subsection 45(3) of the [Act](#) provides a definition of "related persons". For more information, see [Memorandum D13-3-2, Related Persons](#).

If the answer is **yes**, the transaction value method may still be used if the relationship has not influenced the price of the goods. The importer must maintain evidence to establish that the selling price is not significantly different from the price that would have been charged to an unrelated purchaser, given otherwise identical circumstances. For example, showing that the price is adequate to ensure recovery of all costs plus a profit which is representative of the firm's overall profit realized over a representative period of time in sales of goods of the same class or kind, would demonstrate that the price had not been influenced. For more information, see [Memorandum D13-4-5, Transaction Value Method for Related Persons](#).

If the answer is **yes** and the relationship influenced the price, the transaction value method cannot be used and the transaction value of identical goods method would need to be considered next.

If the answer is **no**, or if the relationship has not influenced the price of the goods, consideration as to whether any of the adjustments to the price paid or payable identified in subsection 48(5) of the [Act](#) must then be made. Please continue to Question 9.

9. Are there additions to be made to the price paid or payable for the goods?

Yes No

Paragraph 48(5)(a) of the *Act* requires that amounts for certain charges and the value of certain goods and services, if not already included in the price paid or payable for the imported goods, must be added to the price paid or payable. These charges and values are identified in [Memorandum D13-4-7, *Adjustments to the Price Paid or Payable*](#) and can include amounts for the following:

- (i) commissions and brokerage - see [Memorandum D13-4-12, *Commissions and Brokerage*](#);
- (ii) packing costs;
- (iii) assists - i.e. goods and services provided directly or indirectly by the purchaser free of charge or at a reduced cost, for use in the production of imported goods - see [Memorandum D13-3-12, *Treatment of Assists in the Determination of the Value for Duty*](#);
- (iv) royalties and licence fees - see [Memorandum D13-4-9, *Royalties and Licence Fees*](#)
- (v) subsequent proceeds (payments made to the vendor resulting from resale, disposal or use of imported goods by the purchaser) - see [Memorandum D13-4-13, *Post-importation Payments or Fees \(Subsequent Proceeds\)*](#); and
- (vi) transportation costs and insurance costs to the place of direct shipment to Canada - see [Memorandum D13-3-3, *Transportation and Associated Costs*](#), and [Memorandum D13-3-4, *Place of Direct Shipment*](#).

If the answer is **no**, please continue to Question 10.

If the answer is **yes**, and the amount of the addition(s) can be identified, then begin calculating the value for duty in accordance with the transaction value method template provided below. Also, refer to Question 10 to determine whether any of the deductions from the price paid or payable identified in paragraph 48(5)(b) of the *Act* can also be made.

In the event that any of these additions to price paid or payable must be made, but the amount of the addition cannot be identified, the value for duty cannot be calculated under the transaction value method. Before identifying an alternative valuation methodology, the CBSA's BIS line at 1-800-461-9999 may be consulted or an application for a NCR may be made with the regional CBSA trade office into which the majority of importations are expected to occur. See [Memorandum D11-11-1 *National Customs Rulings*](#) for further details.

10. Are there deductions to be made from the price paid or payable for the goods? Yes No

Paragraph 48(5)(b) of the [Act](#) requires that some charges, if included in the price paid or payable for the imported goods, may be deducted from the price paid or payable.

These deductions are also identified in [Memorandum D13-4-7, Adjustments to the Price Paid or Payable](#), and include actual charges for the following items:

- (i) cost of transportation from the place of direct shipment;
- (ii) costs arising after the goods have been imported such as construction, erection, maintenance and technical assistance; and
- (iii) import duties and taxes.

Note: Deductions can only be made if the actual amount of transportation cost is known, or if the actual amount of duty and tax is identified separately from the price for the goods. Estimated amounts cannot be deducted. Import duties and taxes include those levied under the [Customs Tariff](#), [Excise Tax Act](#), [Excise Act](#), [Special Import Measures Act](#), and any other law related to customs.

For more information on eligible deductions from the price paid or payable, please see the following memoranda:

- [Memorandum D13-3-3, Transportation and Associated Costs](#)
- [Memorandum D13-3-4, Place of Direct Shipment](#)
- [Memorandum D13-3-5, Treatment of Transportation Costs for Goods Delivered to a Location Outside of Canada for Subsequent Importation](#)

Whether the answer is yes or no, continue calculating the value for duty in accordance with the transaction value method template provided and consider any applicable deduction from the price paid or payable.

11. Was there a reduction in the price that occurred after importation? Yes No

In accordance with paragraph 48(5)(c) of the [Act](#), under the transaction value method the value for duty cannot be amended to reflect a reduction in the price of goods initiated after they have been imported.

The CBSA allows an exception to this rule in cases where the post-importation price reduction results from an agreement that is in writing and is in effect at the time the goods are imported into Canada. For more information see [Memorandum D13-4-10, Price Reductions](#) or, in the case of transfer price adjustments between related persons, see [Memorandum D13-4-5, Transaction Value Method for Related Persons](#).

The following examples present two scenarios of a price reduction after importation that would not result in an amendment to the value for duty and two where the price reduction would be permissible.

Price reduction - Example 1

A Canadian entity purchases and imports some goods. Later, the foreign vendor reduces the price of the goods to improve the purchaser's competitiveness in the Canadian market. The purchaser cannot adjust the price paid or payable for the goods by the amount of the reduction as the decrease was affected after importation.

Price reduction - Example 2

After importation a foreign vendor retroactively discounts the price of goods already bought and imported to Canada to incentivize a purchaser to continue to purchase the vendor's goods. The decrease was affected after importation and the condition of the discount was neither in writing nor in effect at the time of importation. Therefore, the importer cannot adjust the price paid or payable of the goods already imported to allow for the retroactive discount.

Price reduction - Example 3

A Canadian entity and foreign vendor agree in writing prior to the beginning of a new calendar year that if the Canadian entity purchases more than 10,000 units of the product to be imported over the course of the year, the foreign vendor will provide the Canadian entity with an additional 10% reduction of the price applicable on all its importations for the calendar year. The Canadian entity reaches the 10,000-unit threshold at the end of September and therefore the foreign vendor issues a credit note to the Canadian entity for all units imported up until that point, and applies the 10% discount on all new purchase orders between October and the end of the calendar year.

As the price reduction results from an agreement that is in writing and in effect at the time of importation, the Canadian entity may seek to amend its previously declared value for duty for all importations between January and September of the calendar year and obtain a refund of any applicable duties and taxes.

Note: Any such price reduction is included in the calculation of the price paid or payable for the goods under section A of the transaction value method template provided further below.

Price reduction - Example 4

A Canadian subsidiary purchases and imports goods from its related foreign parent company. In order to demonstrate that the price is not influenced by the relationship, the two parties enter into a transfer pricing agreement in which they agree to use the OECD Resale Price Method, agree to a resale margin within a range of 40 to 50%, and agree to make quarterly adjustments to the transfer price throughout the calendar year in order to remain within the agreed range. At the end of the first quarter the Canadian subsidiary's resale margin is only 35%, therefore the parent company makes a downward price adjustment by issuing a credit note to the Canadian subsidiary in order to retroactively reduce the price of the goods and bring the Canadian subsidiary's resale margin within the acceptable arm's length range.

As the price reduction results from an agreement that is in writing and in effect at the time of importation, the Canadian subsidiary may seek to amend its previously declared value for duty for all importations between January and March of the calendar year and obtain a refund of any applicable duties and taxes.

Note: Any such price reduction is included in the calculation of the price paid or payable for the goods under section A of the transaction value method template provided.

Transaction value method: Value for duty calculation template

Calculate value for duty as follows:

A. Price paid or payable for the goods	
including all direct and indirect payments, prior to, at or post-importation	(A)
B. Additions, if any apply, and if not included in (A) above	
(i) commissions (except buying agent fees)	_____
(ii) packing costs and charges	_____
(iii) apportioned value of assists	_____
(iv) royalties and licence fees	_____
(v) subsequent proceeds	_____
(vi) transportation and associated costs, and insurance costs to the place of direct shipment	_____
Total additions – add lines (i) to (vi)	(B)
C. Deductions, if any apply, and if included in (A) above	
(i) transportation and associated costs, and insurance costs from the place of direct shipment	_____
(ii) amounts for construction, erection, assembly, maintenance or technical assistance after importation	_____
(iii) import duties and taxes	_____
Total deductions – add lines (i) to (iii)	(C)
D. Value for duty (A + B - C)	(D)

Transaction value of identical goods method or transaction value of similar goods method

The transaction value of identical goods method and the transaction value of similar goods method are both described in this section because they are applied in the same way.

The difference between the two methods lies in the definitions of "identical goods" and "similar goods". The identical goods method must be considered before the similar goods method, and only if the transaction value method does not apply.

Identical goods - Section 49 of the [Act](#)

Under the transaction value of identical goods method, the value for duty of the goods being imported is calculated based on the value for duty of other identical goods that were imported to Canada at the same or substantially the same time, and accounted for under the transaction value method. "Identical goods" are defined in subsection 45(1) of the [Act](#) and include goods that are the same in all respects, were produced by or on behalf of the same person, and were produced in the same country, as the goods being appraised.

The transaction value of the other identical goods can be adjusted to allow for any differences in trade level, quantity, and transportation costs with the goods being valued. The resulting adjusted customs value of the identical goods is an acceptable value for duty for the goods being imported.

Similar goods - Section 50 of the [Act](#)

The transaction value of similar goods method is applied in the same way as the transaction value of identical goods method outlined above. However, the value for duty of the imported goods is based on the value for duty of other similar goods. "Similar goods" are defined in subsection 45(1) of the [Act](#) and include goods that closely resemble and are capable of performing the same functions, were produced by or on behalf of the same person, and were produced in the same country, as the goods being appraised.

The transaction value of other similar goods can be adjusted to allow for any differences in trade level, quantity and transportation costs with the goods being valued. The resulting adjusted customs value of the similar goods is an acceptable value for duty of the goods being imported.

In some cases, it may be difficult to establish the value for duty of imported goods under either the transaction value of identical or similar goods methods as the data necessary to support their applicability may not be available. Furthermore, there are certain limitations on the use of goods where assists were provided. For more information, see [Memorandum D13-5-1, Application of Sections 49 and 50 of the Customs Act](#).

Transaction value of identical or similar goods methods: Value for duty calculation template

Calculations using either the transaction value of identical or similar goods method as the basis for valuation must be made on the basis of sufficient, objective and quantifiable information that establishes the accuracy of the transaction value and any adjustments for differences.

Calculate value for duty as follows:

A. Transaction value of identical or similar goods	
(as determined under section 48 of the <i>Act</i>)	(A) _____
B. Adjustments to (A), if any apply, to take into account:	
(i) +/- quantity differences	_____
(ii) +/- trade level differences ¹	_____
(iii) +/- differences in the costs of transportation to the place of direct shipment due to mode of transport and/or distance	_____
Total adjustments – add lines (i) to (iii)	(B) _____
C. Value for duty (A +/- B)	(C) _____

Deductive value method

If the value for duty cannot be established using the transaction value method or the transaction value method of identical or similar goods, the deductive value method is the next method to consider. However, an importer can request that the order of application of the deductive and computed methods be reversed, provided such a request is made to the CBSA in writing prior to accounting for the goods.

Under the deductive value method, the value for duty is based on the importer's most common selling price per unit of the goods to Canadian customers (i.e. to persons at the first level of trade after importation) who are not related to the foreign vendor/supplier of the goods and that have not supplied any assists. An amount that represents the commission paid **or** the profit earned and general expenses incurred on a unit basis in selling the goods in Canada can be deducted from this selling price.

¹ Where the identical or similar goods are sold in different quantities or at a different trade level (e.g. wholesaler, distributor, retailer or end customer) than the goods being appraised, and the vendor offers discounts based on the quantity of goods purchased or the trade level of the purchaser, adjustments for these differences can be accounted for here.

Next, amounts for transportation and insurance costs of the goods within Canada (including warehousing, distribution, and delivery within Canada), transportation costs from the place of direct shipment to Canada and Canadian duties and taxes can be deducted if not already included in the deduction for profit and general expenses. Likewise, the costs of any value added to the goods due to the assembly, packaging or further processing of the goods in Canada can also be deducted.

For additional information on the deductive value method, see [Memorandum D13-7-1, Determination of the Price Per Unit](#) and [Memorandum D13-7-3, Deductions from the Price Per Unit](#).

Deductive value method: Value for duty calculation template

Calculate value for duty as follows:

A. Price per unit

The most common selling price per unit of the goods to unrelated persons at the first level of trade after importation. (A) _____

B. Deductions

- (i) Commissions, **or**
- (ii) Profit and general expenses _____
- (iii) Transportation costs from the place of direct shipment, including those incurred within Canada _____
- (iv) Duties and taxes in Canada _____
- (v) Costs of value added to goods (after importation) due to assembly, packaging or further processing in Canada _____

Note: Amounts are to be inscribed in lines (iii) and (iv) above only if they are not already recovered in (i) or reflected in (ii)

Total deductions – add line (i) or (ii) to lines (iii) to (v) (B) _____

C. Value for duty (A - B) (C) _____

Computed value method

If the value for duty cannot be established using the previous methods, the computed value method is the next method to consider.

The computed value is the cost of producing the imported goods, plus an amount for profit and general expenses, that a firm in the exporting country would incur when selling the same type of goods to Canadian customers, plus an amount for any assists that are not reflected in a producer's costs.

To use the computed value method, detailed knowledge of the costs of producing the imported goods from the producers of the goods in the country of export must be acquired.

Due to the confidential nature of such information, this valuation method is generally only used by an importer who is related to the vendor / manufacturer of the goods. For more information, see [Memorandum D13-8-1, Computed Value Method](#).

Computed value method: Value for duty calculation template

Calculate value for duty as follows:

A. Amounts for	
(i) Materials employed in production	_____
(ii) Production and processing costs	_____
(iii) Packing costs	_____
(iv) Costs, charges and expenses incurred by the producer for engineering and development work, art work, design work, plans or sketches undertaken in Canada	_____
Total amount – add lines (i) to (iv)	(A) _____
B. Amount for profit and general expenses	
Total amount (A) x profit and general expenses percentage	(B) _____
C. Amount for value of assists	
Total amount of any of the assists referred to in subparagraph 48(5)(a)(iii) of the <i>Act</i> .	(C) _____
D. Value for duty (A + B + C)	(D) _____

Residual method

The residual method of valuation must only be used if the imported goods cannot be valued under the transaction value method or the subsequent methods.

The residual method does not identify specific requirements for determining value for duty. Rather, under this method, one must reconsider the requirements of the first five methods in sequence and then flexibly apply the method that requires the least amount of adjustment using information that is available in Canada. The value for duty established using the residual method must be fair and reasonable, and should reflect commercial reality.

[Memorandum D13-9-1](#), *Residual Basis of Appraisal Method*, provides examples of how the residual method might be applied.

Prohibited methods

Under the residual method, the value for duty **cannot** be established using the following approaches:

- (a) the selling price in Canada of goods produced in Canada;
- (b) a system which provides for the acceptance for customs purposes of the higher of two alternative values²;
- (c) the price of goods on the domestic market of the country of exportation;
- (d) the cost of production, other than computed values which have been determined for identical or similar under section 52 of the *Act*;
- (e) the price of the goods for export to a country other than Canada;
- (f) minimum customs values³; or
- (g) arbitrary or fictitious values⁴.

Value for duty calculation

- Review the information in the alternative valuation methods provided in this guide.
- Flexibly apply the method that requires the least amount of adjustment using information that is available in Canada.
- Consider each of the elements of value for duty identified in the relevant calculation template.

² This prohibition applies primarily to the customs administration (i.e. CBSA in Canada). Prior to the implementation of the WTO Customs Valuation Agreement, Canada and certain other countries used the “fair market value” to establish the value for duty of imported goods in cases where the invoice price was lower than the fair market value.

³ This prohibition applies primarily to the customs administration, whereby the use of reference prices found in customs databases to establish minimum customs values is prohibited.

⁴ Arbitrary or fictitious values can include such scenarios as importations where the goods are received free of charge (e.g. a gift, samples, etc.) and an arbitrary value for duty (without any supporting documentation) is declared. Another scenario would include using a uniform price for all importations of a certain category of goods irrespective of the characteristics of the goods being imported (e.g. a set price per kilogram for the importation of used clothing regardless of quality, country of origin, export price, etc.).

Value for Duty Codes

When an importer completes a [Form B3-3, Canada Customs Coding Form](#), to account for goods imported to Canada, a value for duty code must be declared in field 31 of each transaction line completed on the form. Additional information about Form B3-3 coding is available in [Memorandum D17-1-10, Coding of Customs Accounting Documents](#).

The code consists of two digits:

- the first digit shows the relationship between the vendor and the purchaser; and
- the second digit shows the valuation method used.

First digit (relationship between the vendor and the purchaser)

1. The vendor and the purchaser are not related as defined in subsection 45(3) of the [Act](#).
2. The vendor and the purchaser are related as defined in subsection 45(3) of the [Act](#).

Second digit (valuation method used)

3. Price paid or payable without adjustments (section 48 of the [Act](#))
4. Price paid or payable with adjustments⁵ (section 48 of the [Act](#))
5. Transaction value of identical goods (section 49 of the [Act](#))
6. Transaction value of similar goods (section 50 of the [Act](#))
7. Deductive value (section 51 of the [Act](#))
8. Computed value (section 52 of the [Act](#))
9. Residual basis of appraisal method (section 53 of the [Act](#))

Example

The vendor and purchaser are related, and the value for duty is the price paid or payable with adjustments made under paragraphs 48(5)(a) and (b) of the [Act](#). The importer must declare value for duty code 24.

Keep Complete Records

Importers have to **keep complete records** in support of the value for duty declaration for six years. If the CBSA asks for this information, it must be made available for its review – refer to [Memorandum D17-1-21, Maintenance of Records and Books in Canada by Importers](#).

Subsection 152(3) of the [Act](#) states that the burden of proof lies with the importer. Documentation to support value for duty declarations and calculations includes commercial invoices, agreements, cost allocation schedules, and proofs of payment. For information on the role of importers and the keeping of records, see [Memorandum D13-2-1, Responsibility of Importers and/or Authorized Agents with Respect to Valuation](#).

⁵ Adjustments to price paid or payable relate to subsection 48(5) of the Act.

Valuation and Related CBSA References

The complete D Memoranda series is available on the CBSA website at: <http://www.cbsa-asfc.gc.ca/publications>.

The following memoranda provide information on specific valuation challenges when determining the value for duty of certain categories of goods.

- [Memorandum D13-10-1](#), *Used Goods*
- [Memorandum D13-10-2](#), *Used Automobiles, Motor Vehicles, and Other Vessels*
- [Memorandum D13-11-1](#), *Goods Sold in Canada While Entered Temporarily for Conventions and Exhibitions*
- [Memorandum D13-11-2](#), *Value for Duty of Certain Information-based Products*
- [Memorandum D13-11-3](#), *Value for Duty of Printed or Lithographed Matter, Financial and Other Instruments*
- [Memorandum D13-11-4](#), *Value for Duty of Promotional Material*
- [Memorandum D13-11-6](#), *Determining Value for Duty of Computer Software*
- [Memorandum D13-11-7](#), *Establishing the Value for Duty of Imported Rescue Animals*

The CBSA also has a step-by-step guide to importing (for small and medium sized enterprises) available on the website: <https://www.cbsa-asfc.gc.ca/import/guide-eng.html>

Contact Us

For more information concerning the valuation provisions of the *Act*, within Canada, call the Border Information Service at 1-800-461-9999. From outside Canada call 204-983-3500 or 506-636-5064. Long distance charges will apply. Agents are available Monday to Friday (08:00 – 16:00 local time/except holidays). TTY is also available within Canada: 1-866-335-3237.

Useful Non-CBSA Webpages

Canadian International Trade Tribunal
<https://www.citt-tcce.gc.ca/en/home.html>

World Trade Organization
<https://www.wto.org/>

World Customs Organization
www.wcoomd.org