



Ottawa, August 9, 2013

MEMORANDUM D13-7-3

In Brief

DEDUCTIVE VALUE METHOD – DEDUCTIONS FROM THE PRICE PER UNIT

The editing revisions made in this memorandum do not affect or change any of the existing policies or procedures.





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DEDUCTIVE VALUE METHOD – DEDUCTIONS FROM THE PRICE PER UNIT

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

Legislation

Section 51 of the *Customs Act*: <http://laws-lois.justice.gc.ca/eng/acts/C-52.6/index.html>.

GUIDELINES AND GENERAL INFORMATION

1. Section 51 of the *Customs Act* (the Act) expects that value for duty will be based upon a price per unit derived from a sale of goods after importation, and not from a sale that prompted the international transfer of the goods (refer to Memorandum D13-7-1, *Deductive Value Method – Determination of the Price Per Unit*). Subsection 51(4) of the Act provides that certain amounts are to be deducted from a price per unit in determining the deductive value.

Commissions or Profit and General Expenses

2. An amount for commissions earned, or for profit and general expenses, in connection with sales in Canada, is to be deducted from the price per unit. The profit and general expenses to be deducted must be limited to those incurred in Canada to be considered “in connection with sales in Canada”, and the amount to be deducted is that which is generally earned or reflected on a unit basis of sales in Canada of imported goods of the same class or kind.

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 (refer to Memorandum D13-1-1, *Value for Duty of Imported Goods*, and Memorandum D13-3-8, *Generally Accepted Accounting Principles*).

4. Under subsection 5(1) of the *Valuation for Duty 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. In the event that the Canada Border Services Agency (CBSA)

elects to confirm the acceptability of the importer’s own figures, the necessary information 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 the CBSA 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, although related to their vendor, have previously demonstrated to the CBSA that the price paid or payable has not been influenced by the relationship.

5. Where the CBSA determines that figures for profit and general expenses supplied by or on behalf of the importer are unacceptable, the CBSA 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 can only be made if such an amount has not already been deducted in respect of general expenses under paragraph 51(4)(a) of the Act.

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 can only be made where such an amount has not already been deducted in respect of general expenses under paragraph 51(4)(a) of the Act (refer to Memorandum D13-4-7, *Adjustments to the Price Paid or Payable*, and Memorandum D13-3-4, *Place of Direct Shipment*).

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) of the Act.

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 to determine 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) of the Act would normally not be applicable when, as a result of 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, an importer must be prepared to support the applicability of the deductive value method where further processing in Canada occurs.

Additional Information

11. For more information, call contact the [CBSA Border Information Service](#) (BIS):

Calls within Canada & the United States (toll free):

1-800-461-9999

Calls outside Canada & the United States (long distance charges apply):

1-204-983-3550 or 1-506-636-5064

TTY: **1-866-335-3237**

[Contact Us online](#) (webform)

[Contact Us](#) at the CBSA website

REFERENCES

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|---|--|
| <p>ISSUING OFFICE – Trade Programs Directorate</p> | <p>HEADQUARTERS FILE – 79070-4-5</p> |
| <p>LEGISLATIVE REFERENCES – <i>Customs Act</i> <i>Valuation for Duty Regulations</i></p> | <p>OTHER REFERENCES – D13-1-1, D13-3-4, D13-3-8, D13-4-7, D13-7-1</p> |
| <p>SUPERSEDED MEMORANDA “D” – D13-7-3 dated March 8, 2001</p> | |

Services provided by the Canada Border Services Agency are available in both official languages.

