



Ottawa, April 7, 2014

# Memorandum D13-3-1

## Methods of Determining Value for Duty

### In Brief

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

This memorandum briefly outlines and explains the methods of determining value for duty under the provisions of the [Customs Act](#).

### Legislation

Sections 47 to 53 of the [Customs Act](#).

## Guidelines and General Information

1. Under the [Customs Act](#) (the Act), the primary basis of determining the value for duty of imported goods is the transaction value method. This method and the five alternate methods of determination are identified in sections 48 to 53 of the Act. The sequential order of these methods must be followed in order to determine value for duty. The first of these methods, which can be applied to the circumstances of the transaction involving imported goods, must be used. In only one instance can the sequence in which the methods appear in the legislation be altered: the order of application of sections 51 and 52 of the Act can be reversed at the request of the importer. Section 47 of the Act contains the provisions relating to the sequential application of the various methods of valuation.

2. The primary basis of determination and the five alternate methods are as follows:

- Section 48 – The transaction value method
- Section 49 – The transaction value method of identical goods
- Section 50 – The transaction value method of similar goods
- Section 51 – The deductive method of valuation
- Section 52 – The computed method of valuation
- Section 53 – The residual method of valuation

3. Certain D Memoranda explain in detail the application of each method of valuation. A brief outline of the key elements of the various methods is given below.

### Transaction Value Method (Section 48 of the *Customs Act*)

4. This is the primary method of valuation. Value for duty is based upon the price paid or payable for the goods being appraised. Certain adjustments, both additions and deductions, can be made to this price to arrive at the transaction value of the goods. If the transaction value meets certain criteria for acceptability set out in subsection 48(1) of [the Act](#), it will be the value for duty. The transaction value method can only be applied in cases where the goods being appraised must be the subject of a sale for export to Canada to a purchaser in Canada (refer to Appendix A of this memorandum and [Memorandum D13-4-1, Transaction Value Method of Valuation](#)).

### **Transaction Value Method of Identical Goods (Section 49 of the *Customs Act*)**

5. If the transaction value method cannot be applied, consideration must then be given to the method of valuation set out in section 49 of [the Act](#). In section 49 of the Act, value for duty is based upon the transaction value (that is, a value determined in accordance with section 48 of the Act) of goods that are identical to the goods being appraised. The transaction value method of identical goods can be adjusted if there are differences in trade level, quantities, or transportation costs between the identical goods and the goods being appraised. The value for duty of the goods being appraised would be the transaction value of the identical goods adjusted to account for the differences mentioned above (refer to Appendix B of this memorandum and [Memorandum D13-5-1, Application of Sections 49 and 50 of the Customs Act](#)).

### **Transaction Value Method of Similar Goods (Section 50 of the *Customs Act*)**

6. When the transaction value method of identical goods cannot be applied, the method of valuation set out in section 50 of [the Act](#) must then be considered. The transaction value method of similar goods is essentially the same as that contained in section 49 of the Act except that the basis of value for duty is the transaction value of goods that are similar to the goods being appraised. This transaction value, which can be adjusted in the same way as shown in section 49 of the Act, would be the value for duty of the goods being appraised (refer to Appendix B of this memorandum and [Memorandum D13-5-1](#)).

### **Deductive Method of Valuation (Section 51 of the *Customs Act*)**

7. If the transaction value method of similar goods is not applicable to the importation in question, section 51 of [the Act](#) must then be applied unless the importer has requested that the order of sections 51 and 52 of the Act be reversed. The value for duty is determined under the deductive method of valuation by looking to sales in Canada of the goods being appraised or of identical or similar imported goods. A price per unit is established on the basis of these sales, from which amounts are deducted to account for either profit earned and general expenses incurred on sales in Canada or commissions generally earned on a unit basis, as well as certain transportation costs, and Canadian duties and taxes. The price per unit, once adjusted, would be used in calculating the value for duty of the goods being appraised (refer to Appendix C of this memorandum, [Memorandum D13-7-1, Deductive Value Method - Determination of the Price Per Unit](#), and [Memorandum D13-7-3, Deductive Value Method - Deductions From the Price Per Unit](#)).

### **Computed Method of Valuation (Section 52 of the *Customs Act*)**

8. Under the computed method of valuation, determination of value for duty begins with the cost of production of the goods being appraised. To this, amounts are added to account for profit earned and general expenses incurred on sales for export to Canada. The total amount would form the basis for calculating the value for duty of the goods being appraised (refer to Appendix D to this memorandum and [Memorandum D13-8-1, Computed Value Method](#)).

### **Residual Method of Valuation (Section 53 of the *Customs Act*)**

9. If all the previous methods of valuation have been examined and been found to be inapplicable to the circumstances surrounding the transaction involving the goods being appraised, the residual method of valuation is to be applied. Under section 53 of [the Act](#), a value for duty is derived from a flexible application of one of the previous methods of valuation set out in sections 48 to 52 of the Act (refer to [Memorandum D13-9-1, Residual Basis of Appraisal Method](#)).

10. Appendices A to D to this memorandum contain calculation sheets, one for each method of valuation, which importers may use as an aid to assist in determining value for duty. These sheets are not part of the documentation requirements for importing goods into Canada as contained in [Memorandum D1-4-1, CBSA Invoice Requirements](#), and need not be submitted with entry documents. However, importers may wish to keep the calculation sheets on file in order to facilitate a review by the Canada Border Services Agency (CBSA) should this prove necessary.

**Additional Information**

11. For more information, 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**.

## Appendix A

### Transaction Value Method

In order to determine whether an importation can be valued under this method, the following questions about the transaction between the vendor and the purchaser in Canada should be addressed. Refer to [Memorandum D13-4-1, \*Transaction Value Method of Valuation\*](#).

1. Were the goods sold for export to Canada? Refer to [Memorandum D13-4-2, \*Customs Valuation: Goods Sold for Export to Canada\*](#).
2. Were the goods sold to a purchaser in Canada? Refer to [Memorandum D13-1-3, \*Customs Valuation: Purchaser in Canada\*](#).
3. Can the price paid or payable be determined? Refer to [Memorandum D13-4-3, \*Customs Valuation: Price Paid or Payable\*](#).
4. If there is a relationship between the purchaser and the vendor, can it be demonstrated that the price paid or payable for the goods was not influenced by that relationship? Refer to [Memorandum D13-4-5, \*Transaction Value Method for Related Persons\*](#).
5. Are there any limitations on the sale such as, restrictions, conditions, or unknown subsequent proceeds? Refer to [Memorandum D13-4-4, \*Limitations on the Use of Transaction Value Method\*](#).

If the answer to questions 1, 2, 3 and 4 is “yes” and there are no limitations, as outlined in question 5, the transaction value method must be used. The transaction value should be calculated in the following manner taking into account the adjustments provided in subsection 48(5) of [the Act](#) (refer to [Memorandum D13-4-7, \*Adjustments to the Price Paid or Payable\*](#)):

(a) Price paid or payable (PPP) for the goods including all direct and indirect payments to the vendor or for his benefit \$\_\_\_\_\_

(b) Additions, if applicable (if not already included in (a) above)

(1) Commissions incurred by the purchaser (selling commissions only)  
(refer to [Memorandum D13-4-12, \*Commissions and Brokerage\*](#)) \_\_\_\_\_

(2) Packing costs (domestic and export packing)  
(refer to [Memorandum D13-4-7](#)) \_\_\_\_\_

(3) The value of assists, i.e., goods or services supplied free or at a reduced cost by the purchaser for use in connection with the production and sale for export of the imported goods (refer to [Memorandum D13-3-12, \*Treatment of Assists in the Determination of the Value for Duty\*](#)) \_\_\_\_\_

(4) Royalties and licence fees related to the sale of the goods (refer to [Memorandum D13-4-9, \*Royalties and Licence Fees\*](#)) \_\_\_\_\_

(5) Subsequent proceeds accruing to the vendor refer to [Memorandum D13-4-13, \*Post-importation Payments or Fees \(Subsequent Proceeds\)\*](#)) \_\_\_\_\_

(6) Transportation, insurance, and associated costs up to and at the point of direct shipment (refer to [Memorandum D13-3-3, \*Transportation and Associated Costs\*](#) and [Memorandum D13-3-4, \*Place of Direct Shipment\*](#)) \_\_\_\_\_

**Additions Sub-total**

\$\_\_\_\_\_

(c) Deductions, if applicable (if included in (a) above)

(1) Transportation, insurance, and associated costs from the point of direct shipment (refer to [Memorandum D13-3-3](#) and [Memorandum D13-3-4](#)). \_\_\_\_\_

(2) Construction, erection, assembly costs, etc., after importation  
(refer to [Memorandum D13-4-7](#)) \_\_\_\_\_

(3) Import duties and taxes (refer to [Memorandum D13-4-7](#)) \_\_\_\_\_

**Deductions Sub-total** \_\_\_\_\_

**Value for duty: \$PPP + \$Additions – \$Deductions** \$\_\_\_\_\_

## Appendix B

### Transaction Value of Identical Similar Goods

1. If the value for duty cannot be determined under the transaction value method, then the goods must be valued under a subsequent method. If identical goods were imported at or about the same time as the goods being appraised, then the transaction value of these identical goods must be used as the basis for determining the value for duty (refer to [Memorandum D13-5-1, Application of Sections 49 and 50 of the Customs Act](#)).
2. If there were no identical goods imported but similar goods were imported at or about the same time, then the transaction value of these similar goods must be used as the basis for determining the value for duty (refer to [Memorandum D13-5-1](#)).
3. In order to determine the value for duty under either of these methods, it is necessary that the value for duty of the identical or similar goods has been determined under the transaction value method.
4. To determine the value for duty of the goods being appraised, use the transaction value of the identical/similar goods and adjust for any differences in quantity, commercial level, or mode and distance of transportation between the goods being appraised and the identical/similar goods (refer to [Memorandum D13-5-1](#)).

- |  |         |
|--|---------|
| (a) Transaction value of identical/similar goods   | \$_____ |
| (b) Adjustments to (a), if any. Indicate if addition or deduction is being made (+, -)<br>(refer to <a href="#">Memorandum D13-5-1</a> ) |         |
| (1) quantity differences   | _____   |
| (2) commercial level differences   | _____   |
| (3) mode and distance of transportation differences  | _____   |
| (c) Value for duty   | \$_____ |

## Appendix C

### Deductive Value

1. If none of the previous valuation methods are applicable, the deductive method may be used to determine the value for duty. However, an importer can request a reversal of the order of application of the deductive and computed methods to the CBSA, as provided for in subsection 47(3) of [the Act](#).
2. Under this method, it is first necessary to establish the predominant price per unit at which the goods, or identical or similar goods, were sold in Canada, either in the condition as imported or after further processing. Further instructions for determining a price per unit are contained in [Memorandum D13-7-1, \*Deductive Value Method – Determination of the Price Per Unit\*](#).
3. From the price per unit, deductions are made for either commissions earned on sales in Canada, or an amount for profit and general expenses on sales in Canada and certain other elements specified in [Memorandum D13-7-3, \*Deductive Value Method – Deductions From the Price Per Unit\*](#), where applicable.
4. The amount for profit and general expenses is to be calculated as a whole and expressed as a percentage of selling price.
5. The valuation provisions of [the Act](#) specify that amounts for commissions or profit and general expenses be those generally reflected on sales of imported goods of the same class or kind in Canada. In applying this provision, the CBSA is prepared to accept the importer's own figures for commissions or profit earned and general expenses incurred based on sales of the narrowest range of goods for which accounting records are available.

- |  |         |
|--|---------|
| (a) Price per unit (refer to <a href="#">Memorandum D13-7-1</a> )  | \$_____ |
| (b) Deductions   |         |
| (1) Commissions or profit and general expenses (refer to <a href="#">Memorandum D13-7-3</a> )  | _____   |
| (2) Transportation costs from the point of direct shipment (refer to <a href="#">Memorandum D13-3-3</a> and <a href="#">Memorandum D13-3-4</a> ) | _____   |
| (3) Duties and taxes in Canada (refer to <a href="#">Memorandum D13-7-3</a> )  | _____   |
| (4) Assembly, packaging, further processing costs (if applicable) after importation (refer to <a href="#">Memorandum D13-7-3</a> )               | _____   |
| (c) Value for duty   | \$_____ |

## Appendix D

### Computed Value

1. If none of the previous valuation methods are applicable, the computed method may be used to determine the value for duty. If the applicability of the computed method has been considered before the deductive method in accordance with subsection 47(3) of [the Act](#), the deductive method must next be considered. The deductive value method is explained in Appendix C.
2. In order to determine a value for duty under the computed value method, it will be necessary to obtain information from the country of production of the goods, normally from the producer.
3. A computed value consists of the aggregate of the elements specified in paragraphs 52(2)(a) and (b) of [the Act](#). These are materials, production or other processing costs, packing, assists, the cost to the producer of any engineering work, etc., undertaken in Canada, and supplied to him and an amount for profit and general expenses (refer to [Memorandum D13-8-1, Computed Value Method](#)).
4. The amount for profit and general expenses to be considered when calculating the computed value is the amount generally reflected in export sales to Canada by producers in the country of export. In applying this provision, the CBSA is prepared to accept the producer's own figures based on sales to Canada of the narrowest range of goods for which accounting records are available.

(a) Elements specified in paragraph 52(2)(a) of [the Act](#)

- |   |       |          |
|---|-------|----------|
| (1) materials employed in production                                      | _____ |          |
| (2) production and processing costs                                       | _____ |          |
| (3) packing costs   | _____ |          |
| (4) value of assists  | _____ |          |
| (5) costs to the producer of engineering work, etc., undertaken in Canada | _____ | \$ _____ |

(b) Amount for profit and general expenses referred to in paragraph 52(2)(b) of [the Act](#) \$ \_\_\_\_\_

(c) Value for duty \$ \_\_\_\_\_

References	
<b>Issuing Office</b>	Trade and Anti-dumping Programs Directorate
<b>Headquarters File</b>	79070-4-3
<b>Legislative References</b>	<a href="#">Customs Act</a>
<b>Other References</b>	<a href="#">D1-4-1</a> , <a href="#">D13-1-3</a> , <a href="#">D13-3-3</a> , <a href="#">D13-3-4</a> , <a href="#">D13-3-12</a> , <a href="#">D13-4-1</a> , <a href="#">D13-4-2</a> , <a href="#">D13-4-3</a> , <a href="#">D13-4-4</a> , <a href="#">D13-4-5</a> , <a href="#">D13-4-7</a> , <a href="#">D13-4-9</a> , <a href="#">D13-4-12</a> , <a href="#">D13-4-13</a> , <a href="#">D13-5-1</a> , <a href="#">D13-7-1</a> , <a href="#">D13-7-3</a> , <a href="#">D13-8-1</a> , <a href="#">D13-9-1</a>
<b>Superseded Memorandum D</b>	D13-3-1 dated April 19, 2001