



Ottawa, January 19, 2015

Customs Notice 15-001

Treatment of Downward Price Adjustments in Value for Duty Calculations

1. On March 21, 2014, the Canadian International Trade Tribunal (CITT) rendered its decision in Appeal No. AP-2012-067, [Hudson's Bay Company v. President of the Canada Border Services Agency](#), concerning the treatment of rebates made after importation. The CITT ruled that a price reduction made after importation is not addressed by the [Customs Act](#) if it results from an agreement to reduce the price that was in effect at time of importation.
2. Under the transaction value method, the basis for a calculation of value for duty is the price paid or payable (PPP) for imported goods. In circumstances where an agreement in writing to later reduce the PPP for goods exists at time of importation, a correction of the declared value for duty of the goods may be necessary. For more information on importer self-adjustment obligations, refer to [Memorandum D11-6-6, "Reason to Believe" and Self-adjustments to Declarations of Origin, Tariff Classification, and Value for Duty](#).
3. Paragraph 48(5)(c) of the [Customs Act](#) addresses downward adjustments to the PPP effected after importation, and continues to apply in scenarios where a purchaser and vendor enter into an agreement to reduce the PPP of goods after those goods have been imported to Canada. No correction of declared value for duty of the goods can be made in these circumstances. For example, after importation a vendor agrees to reduce the PPP of goods already imported because the purchaser is unable to resell those goods in Canada. The decrease in the PPP is effected after importation, and a downward adjustment to the PPP is precluded by paragraph 48(5)(c) of the [Customs Act](#).

Administrative Reviews

4. Importers who have filed disputes under subsection 60(1) of the [Customs Act](#) which have been held in abeyance will be processed in accordance with the CITT decision where it can be confirmed that the agreement in writing to obtain the price rebate or other reduction was not initiated after importation.

Self-adjustments and Refunds

5. In situations where an agreement in writing was in effect at time of importation to later reduce the PPP of imported goods and the price reduction subsequently occurs, a correction made under the authority of section 32.2 of the [Customs Act](#) is necessary if the importer is provided with specific information giving reason to believe that a declaration of value for duty is incorrect, and the correction would be revenue neutral. An importer may elect to pursue a refund of duties under the authority of paragraph 74(1)(e) of the [Customs Act](#) if the price reduction would result in a decrease of value for duty. Such a request can be made for importations occurring within four years of the date of this notice.
6. In situations where a transfer price agreement between a vendor and a related purchaser exists, the intercompany transfer price is considered by the Canada Border Services Agency (CBSA) to be the uninfluenced PPP of imported goods. For the PPP to remain uninfluenced, corrections to the value for duty must be submitted to the CBSA when the net total of upward and downward transfer price adjustments occurring in a fiscal period is identified. It is at that specific moment that the importer has reason to believe that corrections to declarations of value for duty are necessary. If the net total result is a downward price adjustment and the imported goods are subject to duties, a request for refund can be made for importations occurring within four years of the date of this notice.

CBSA Policy Considerations

7. D13-series memoranda that address the treatment of price reductions made after importation will be amended to reflect the information included in this notice.

Additional Information

8. 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 at **1-866-335-3237**.