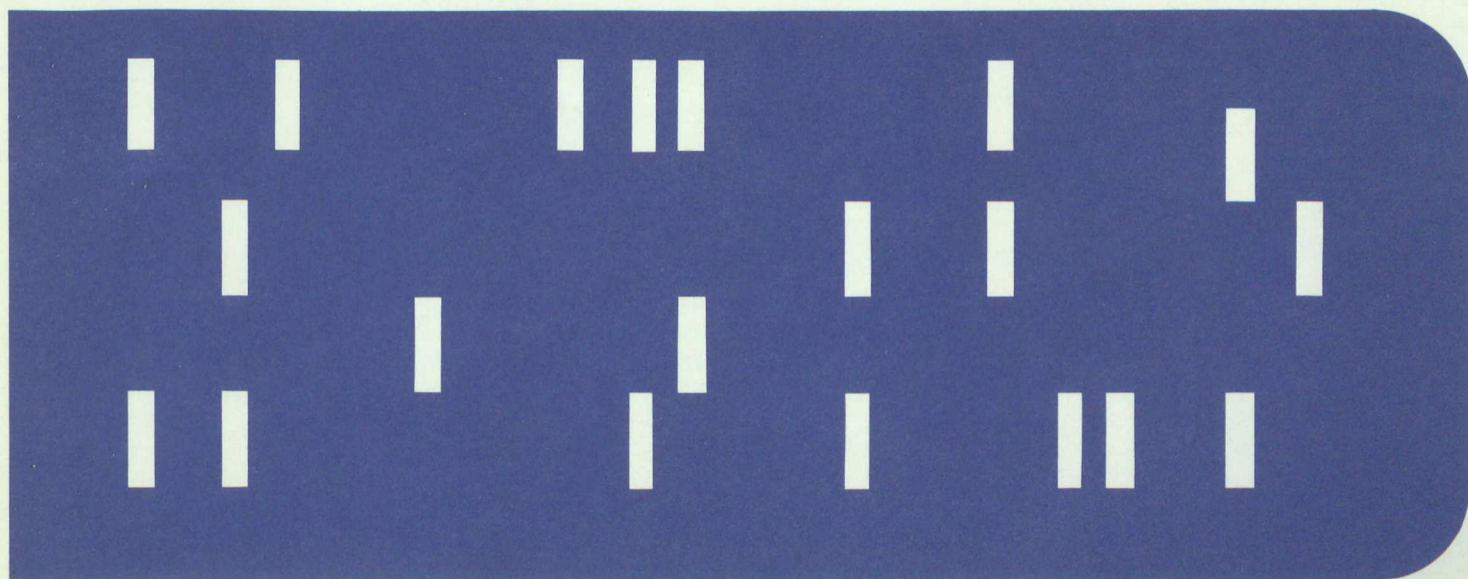


HF3226
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1970 Pt.6

DOING BUSINESS IN CANADA

TARIFF PREFERENCES FOR CANADIAN GOODS ABROAD



DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE
OTTAWA, CANADA

DOING BUSINESS IN CANADA

Tariff Preferences for Canadian Goods Abroad

Prepared by
Industrial and Trade Enquiries Division
Office of Promotional Services
Department of Industry, Trade and Commerce
Ottawa

Queen's Printer for Canada, Ottawa, 1970

Cat. No. PU-119

FOREWORD

The information in this booklet deals with the incidence of tariff preferences for Canadian goods abroad. The following pages indicate, in a general way, the range of goods accorded preference, and outline the conditions with which manufactured goods must comply in order to qualify for preferential treatment.

It should be appreciated, however, that the information included in this publication is general and subject to change, and cannot substitute for specific information regarding particular products. This may be obtained, on request, from the Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa.

Other publications available from the Department of Industry, Trade and Commerce as business guides in the series "Doing Business in Canada" are:

- The Canadian Environment
- Forms of Business Organization
- Taxation — Income, Business, Property
- Taxation — Sales, Excise, Commodity
- Labour Legislation
- Canadian Customs Duties
- Construction and Equipment Standards
- Federal Incentives to Industry
- Patents Copyrights & Trade Marks

Also available upon request:

- Financing Canadian Industries

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Date of Revision – August, 1969

TARIFF PREFERENCES FOR CANADIAN GOODS ABROAD

Canadian products, as compared with products of the United States and other foreign countries, enjoy the benefit of tariff preferences in various parts of the British Commonwealth. These include Britain, Australia, New Zealand, Ceylon, and The Commonwealth Caribbean. The more notable exceptions are India, Pakistan, Ghana, and Nigeria. In addition, preferences are also extended to Canada by the Republic of South Africa (limited) and the Republic of Ireland.

The range of goods on which preferences are provided, the margins of preference applicable to particular goods, and the status of products of supplying countries other than Canada, vary considerably with the different preference areas. There is some degree of uniformity, however, in the conditions on which preference is granted.

In general, goods claiming preference as Canadian products must be consigned directly to the preference market from Canada. Transshipment in a non-Commonwealth country, or trans-shipment or re-consignment from another Commonwealth country, is not necessarily precluded but, where permitted, additional documentation is required.

It is also a general requirement that a certificate of origin in prescribed form, given by the grower, producer, or supplier, or by the manufacturer of the goods, must be furnished. These certificates recognize two main cate-

gories of products: (1) goods which must be "wholly produced or manufactured" in a country entitled to preference, and (2) manufactured goods which qualify for preference if the prescribed proportion of their factory cost originates in the appropriate qualifying area. In the case of Britain, New Zealand, Ceylon, Malaysia, the Commonwealth Caribbean, and the non-self-governing territories, the qualifying area includes, in general, all Commonwealth countries. In Australia, the qualifying area is Canada or Canada and Australia; in the Republic of South Africa, the prescribed proportion must originate in Canada. A fine distinction is sometimes drawn between categories (1) and (2), requiring official rulings, and these interpretations may vary between countries.

With regard to manufactured goods in category (2), the preference regulations of most (but not all) areas provide different qualifying percentages of "content" for different types of products. The British regulations, for example, divide manufactured goods into three main classes, requiring a minimum "Commonwealth content" in their factory cost of, respectively, 75, 50, and 25 per cent. Australia, as a general rule, requires a Canadian and/or Australian content of at least 75 per cent; New Zealand, on most goods, grants preference on the basis of 50 per cent "Commonwealth content".

BRITAIN

The British tariff provides preferential treatment for a very wide range of Canadian products. The exceptions are, mainly, goods on the Free List (mostly raw and semi-manufactured materials), certain goods subject to Revenue duties (hydrocarbon oils, a few chemicals, matches, mechanical lighters, playing cards and beer), and goods from which preferences have been removed in return for concessions in non-Commonwealth countries negotiated under the GATT (General Agreement on Tariffs and Trades), such as agricultural tractors and dresses of synthetic fabric. The margin of preference over the industrial products of the countries of the European Free Trade Association (Norway, Sweden, Denmark, Switzerland, Austria and Portugal)

was eliminated on January 1, 1967.

Manufactured goods for which tariff preferences are provided must be manufactured in Canada and require, as a minimum, the percentage of "Commonwealth content" in their factory cost shown below:

75 per cent:

Optical glass and optical elements whether finished or not, microscopes, field and opera glasses, theodolites, sextants, spectrometers, and other optical instruments (includes photographic cameras), and component parts thereof.

50 per cent:

(The following list has been considerably

condensed. In most cases, the headings also cover parts and accessories of the articles named.)

Iron and steel products, namely: Tubes, pipes, fittings; railway and tramway construction material; springs; wire, netting, cable and rope; screws, nails, tacks, studs, spikes, rivets, washers, bolts, nuts; anchors, grapnels, chains; railway wagons; hollow-ware; baths.

Iron or steel guides, T section, of a description commonly used for lifts or elevators.

Products wholly or partly of aluminum, copper, lead, nickel, tin, zinc or alloys containing any of these metals, namely: Sheets, strip, rods, plates, angles, shapes and sections, wire, tubes, foil and hollow-ware.

Screws for wood of brass, copper or any alloy containing copper.

Furniture wholly or mainly of metal.

Stoves for domestic cooking or heating.

Metal door and window frames and casements.

Locks, padlocks, keys, bolts, latches, hasps and hinges of metal.

Cutlery: Knives (one or more blades), scissors, razors (including safety and blades), hair clippers, carving forks, knife sharpeners.

Implements and tools; hosiery latch needles; ignition magnetos and permanent magnets.

Machinery and parts (including ball and roller bearings and parts); machinery belting.

Aircraft; locomotives; cycles; perambulators; mail carts.

Motor cars, motor bicycles and tricycles.

Electrical goods including insulated wires and cables; telegraph, telephone, and wireless apparatus; electric carbons (other than graphitized carbon electrodes); lighting appliances and fittings; batteries and accumulators; bell apparatus; cooking and heating apparatus; meters.

Arc lamp carbons and amorphous carbon electrodes.

Wireless valves and similar rectifiers and vacuum tubes.

Manufactures wholly or partly of rubber, balata, or gutta percha (including vulcanite and ebonite).

Pottery; glass and glassware.

Brooms and brushes.

Toys of all kinds.

Appliances and requisites for sports, games, gymnastics, and athletics.

Musical instruments, including gramophones and records.

Clocks and clock cases.

Scientific and precision measuring instruments and certain laboratory ware.

Buttons, snap and slide fasteners, push buttons, studs, hooks and eyes; needles and pins.

Pen nibs, fountain pens, stylographic and other pens, propelling pencils, paper clips and fasteners.

Transparent cellulose wrapping.

Unexposed sensitized photographic paper, cloth, plates, film and spools therefor.

Unexposed sensitized cinematograph film.

Toilet preparations (including toilet soap); hair combs, powder bowls or boxes, powder puffs, and manicure articles.

Paints, painters' enamels, lacquers, varnishes, and printers' inks; distempers; pigments and extenders (some exceptions, including carbon black from natural gas).

Saddlery and harness wholly or partly of leather.

Trunks, bags, wallets, pouches and other receptacles wholly or partly of leather or material resembling leather.

Footwear of any material; laces for footwear.

Twine of the following descriptions: Hard fibre singles.

Carpets, carpeting, floor rugs, floor mats and matting, wholly or partly of cotton, wool, hemp, flax or jute (but excluding coir, rush, grass, raffia, straw or reed mats and matting).

Arms and ammunition of specified types.

25 per cent:

Unenumerated manufactured goods, which would include the following, among others:

Manufactured foodstuffs, such as cheese, condensed milk, canned fish, canned fruits and vegetables, and wheat flour.

Leather.

Most chemicals.

Dressed lumber; plywood; veneers, doors.

Wrapping paper; paper bags and envelopes.
Cotton dresses (without rubber elastic).
Jewellery (not including hair ornaments).

Sugar and Tobacco:

On cigarettes and other manufactured tobacco and refined sugar, preference is granted on the proportion (down to 5 per cent) which is produced from Commonwealth-grown leaf or from raw sugar of Commonwealth origin.

Customs Notice 27A:

The current Commonwealth Preference Regulations are issued as Customs Notice No. 27A. This booklet, with which manufacturers planning to export to Britain should familiarize themselves, contains detailed instructions for computation of (1) total factory cost and (2) "Commonwealth content" in that cost. It also includes information regarding costings which may be called for in support of the "Commonwealth content" claimed on the certificate of origin.

AUSTRALIA

To be admitted at preferential rates of duty in Australia, Canadian manufactured goods, as a general rule, must have not less than 75 per cent of the factory cost of each article made up of Canadian and/or Australian material and/or labour. As an exception, certain goods, notably most products which are free of ordinary customs duty under the British preferential tariff, but also including clocks, writing and typewriting paper, and a few other articles, may qualify on the basis of 25 per cent Canadian and/or Australian content. For typewriters, adding and adding-calculating machines, and cotton, silk, or artificial silk piece goods, the requirement is a 50 per cent Canadian and/or Australian content. If failing

to reach the required proportion, it may still be possible to qualify in a category which grants preference regardless of "content" to goods which are wholly produced or wholly manufactured in Canada from imported unmanufactured raw materials of any origin or from specified imported manufactured raw materials of any origin. In all cases, the final process of manufacture must be performed in Canada and goods must be consigned directly from Canada to Australia.

Canadian manufactured goods which are not accorded tariff preferences in Australia include wheat flour, some agricultural implements, rubber boots, wrapping paper, rubber tires, and pianos.

NEW ZEALAND

To qualify for preference in New Zealand, Canadian manufactured goods in general must have at least 50 per cent of the factory costs of each finished article made up of Canadian or other Commonwealth material and/or labour.

Canadian motor vehicles imported un-assembled or in a completely knocked-down condition require a "Commonwealth content" of at least 65 per cent, with provision for a slightly more favourable preferential rate if reaching a 75 per cent "Commonwealth content". Motor vehicles in a completely assembled state require a 75 per cent "Commonwealth content".

In all cases, the final process of manu-

facture must be performed in Canada and goods must be consigned directly from Canada to New Zealand.

Goods may also qualify for preference regardless of "Commonwealth content" if they are wholly manufactured in Canada from unmanufactured or certain partly-manufactured raw materials of any origin.

Goods for which the tariff does not provide preferential rates include patent leather, certain cardboard and wood-pulp board, paper-pulp for the manufacture of paper, beekeepers' equipment, some agricultural and dairying machinery, sewing machines, cod-liver oil, and a variety of raw materials.

REPUBLIC OF SOUTH AFRICA

Preferential rates are granted to Canada on roughly fifteen items of the tariff of the Republic of South Africa. To qualify for preference, the goods must be bona fide manufacture of Canada, i.e., they must be either wholly manufactured in Canada or, if only partially manufactured in Canada, at least 25 per cent of the factory cost of each article in its finished state must be represented by material and/or labour of Canadian origin and the final process of manufacture must take

place in Canada. If the goods have at some stage entered into the commerce of, or undergone a process of manufacture in a foreign country, only that value which is expended on them after their return to Canada may be regarded as Canadian in calculating the Canadian content in the finished article.

For practical customs purposes, Lesotho (formerly Basutoland), Botswana (formerly Bechuanaland), Swaziland, and South West Africa are regarded as part of the Republic.

CEYLON

In Ceylon, where preferences are provided on roughly half of all dutiable items, most manufactured goods require a "Commonwealth content" of a least 50 per cent in their factory cost. For lubricating oils, hams and bacon, and sulphur dust for spraying rubber trees, a "Commonwealth content" of 25 per cent suf-

fices; special tariff rates are provided for cigarettes according to their proportion of Commonwealth leaf content; while cinematograph films qualify for preferential rates only if they are wholly produced in a Commonwealth studio and are registered as "British" or "Imperial" films.

MALAYSIA

To the extent that preferences exist in Malaysia, a 25 per cent "Commonwealth content" is

sufficient for preferential tariff treatment.

COMMONWEALTH CARIBBEAN

The Commonwealth Caribbean consists of the following separate customs areas, all of which provide preference in respect of most dutiable Canadian products:

- Antigua
- Bahamas
- Barbados
- Bermuda
- British Honduras
- Dominica
- Grenada
- Guyana
- Jamaica
- Montserrat
- St. Kitts — Nevis — Anguilla
- St. Lucia
- St. Vincent
- Trinidad and Tobago
- Virgin Islands

The Turks and Caicos Islands and The Cayman Islands are dependencies of Jamaica but have separate customs tariffs which provide for preferences (limited to a relatively short list in the Cayman Islands) on imports from Canada.

The preference regulations of these areas (except Bermuda) follow the British principle of three main "Commonwealth content" categories, i.e. 75, 50, and 25 per cent, the range in each case corresponding closely with that of Britain. Unlike Britain, however, the regulations of practically all these areas require that the final process of manufacture must take place in a country entitled to preference and, if the goods have at any stage entered into the commerce of, or been processed in, a non-preference country, that only the value added after their return to the Commonwealth

country can be regarded as "Commonwealth content".

In Bermuda, a 25 per cent "Common-

wealth content" suffices for all manufactured goods.

OTHER COMMONWEALTH PREFERENCE TERRITORIES

Among the other territories of the Commonwealth which grant a tariff preference on most dutiable Canadian goods are:

- British Solomon Islands
- Brunei
- Fiji
- Tonga
- Western Samoa
- Gambia
- Gilbert and Ellice Islands
- Malawi
- Mauritius
- Seychelles
- St. Helena
- Cyprus
- Malta

The conditions on which preference is granted are the same in these areas as in the Commonwealth Caribbean with the following exceptions: in St. Helena 50 and 25 per cent bases are prescribed; and in Western Samoa the general requirement is 50 per cent "Com-

monwealth content".

Some of these areas, notably British Solomon Islands, Fiji, Gilbert and Ellice Islands, Tonga, Western Samoa, and Malta, as well as according preference on the basis of a percentage of "Commonwealth content", also grant preference, without reference to "Commonwealth content", to goods which are "wholly manufactured in countries within the British Empire in which all manufacturing processes are performed in such countries" even though the materials used are not produced in Commonwealth countries.

Singapore, Hong Kong, Gibraltar and Falkland Islands levy import duties on only a limited number of items and tariff preferences are accorded on such goods as tobaccos and alcoholic beverages. Hong Kong grants exemption from an additional 15 per cent registration fee on first registration of motor vehicles on a 50 per cent "Commonwealth content" basis.

NON-PREFERENCE COMMONWEALTH COUNTRIES

The parts of the Commonwealth in which Canadian products are subject to the same rate of duty as products of United States or other non-Commonwealth country origin are:

India, Pakistan, Ghana, Nigeria, Kenya, Uganda, Tanzania, Maldive Islands, Papua, New Guinea, Sierra Leone and Zambia.

REPUBLIC OF IRELAND

On those items on which special preferential rates are accorded to Canadian products in the tariff of the Republic of Ireland, a 25 per cent "Commonwealth content" is the normal requirement. Exceptions are certain artificial silk tissues, which require a 75 per cent "Commonwealth content", and a limited

range of goods in which the qualifying "content" must be Canadian. In the latter class, the prescribed percentage is 25, except for paper bags and mirrors for which the percentage is 50, and passenger motor cars valued at not less than £1300 for which it is 75.

TRADE AGREEMENTS WITH NON-COMMONWEALTH COUNTRIES

Canada has trade agreements providing for exchange of most-favoured-nation treatment with most countries outside the Commonwealth. The rate of duty applicable to a particular article would be the same regardless of whether it was of Canadian or United States origin. The absence of trade agreements, however, does not necessarily mean that Canadian products are treated less favourably than

wealth. As the United States also has most-favoured-nation agreements with these countries, the rate of duty applicable to a particular those of the United States or other foreign countries. There are a few instances, notably the Philippines, where the United States receives preferences not accorded to Canada.

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