

Memorandum D18-4-1: Select Luxury Items Tax on Importation

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This memorandum provides information concerning the administration and enforcement of the *Select Luxury Items Tax* under sections 2, 20, 22, 30, 34, 37, 38, 50, 77 and Division 5 of Part 1 of that act, and sections 32.2, 42, 43, 59, 60, 61, 65, 67, 68, 70 and 74 of the *Customs Act*.

Plain language summary

Target audience: Importers of luxury cars, aircrafts and vessels and travellers

Key content: Which items are subject to the luxury tax; how luxury tax amounts are decided; special cases and exceptions; temporary importation; declaration and accounting; corrections, refunds and re-determinations.

Keywords: CARM, luxury tax, imported cars, imported aircraft, imported vessels

On this page

- [Updates made to this D-memo](#)
- [Definitions](#)
- [Guidelines](#)
 - [Date of effect](#)
 - [Currencies](#)
 - [Scope of the luxury tax](#)
 - [Prohibited goods](#)
 - [Subject items](#)
 - [Vessel and subject vessel: Definitions](#)
 - [Tariff classification numbers](#)
 - [Price thresholds, taxable amount and amount of luxury tax](#)
 - [Application framework](#)
 - [Temporary importation under tariff item No. 9993.00.00](#)
 - [Supporting documents: Requirements](#)
 - [Flow chart: Application of the luxury tax on importation](#)
 - [Registration framework](#)
 - [Declaration and accounting](#)
 - [Rulings](#)
 - [Corrections, refunds, re-determinations and further re-determinations](#)
 - [Administration and enforcement](#)
 - [Penalties under the *Select Luxury Items Tax Act*](#)
 - [Additional information](#)
 - [Appendix A: Harmonized System reference list—Goods that may be subject to the luxury tax](#)
 - [Appendix B: Examples of calculation of taxable amounts, amounts of luxury tax and GST](#)
- [References](#)
- [Contact us](#)
- [Related links](#)

Updates made to this D-memo

This memorandum has been revised to:

- Reflect changes introduced by the CBSA Assessment and Revenue Management (CARM) system, specifically, the need for importers to register their businesses in the CARM Client Portal (CCP) and delegate a business account manager
- Provide additional information on how to account for the goods when the luxury tax is not payable and when other excise taxes may be payable or not
- Include a link to onboarding support documentation under Related links
- Include a link to the CARM Web page under Related links

Definitions

For a list of definitions of the words found in this memorandum, refer to subsection 2(1) of the *Select Luxury Items Tax Act* at the link found in the [Related links](#) section of this memorandum.

Guidelines

Date of effect

1. The luxury tax came into effect on **September 1, 2022**.

Currencies

2. All amounts expressed in this memorandum are in Canadian dollars.

Scope of the luxury tax

3. The luxury tax applies to importations into Canada of subject vehicles and subject aircraft that have a taxable amount above \$100,000, and subject vessels that have a taxable amount above \$250,000 (the price thresholds, respectively). For more information, refer to the [Price thresholds, taxable amount and amount of luxury tax](#) section of this memorandum.

4. A vehicle, aircraft or vessel falls within the scope of the luxury tax regime if it meets the definition of a subject vehicle, subject aircraft or a subject vessel, as set out in subsection 2(1) of the *Select Luxury Items Tax Act*. Such vehicles, aircraft and vessels are broadly referred to as subject items. Vehicles, aircraft or vessels that do not meet these definitions are not subject to the luxury tax. For more information, refer to the [Subject items](#) section of this memorandum.

5. Certain persons are required to register with the Canada Revenue Agency (CRA) as registered vendors under the *Select Luxury Items Tax Act*. Such persons include manufacturers, wholesalers, retailers and importers of subject vehicles, subject aircraft or subject vessels that are within the scope of the luxury tax regime and that are priced above the relevant price thresholds. For more information, refer to the [Registration framework](#) section of this memorandum.

Prohibited goods

6. The importation into Canada of certain subject items may be prohibited under tariff item No. 9897.00.00 of the schedule to the *Customs Tariff*. Exemption from the import restriction that relates to tariff item 9897.00.00 does not exempt a good from other import restrictions that may apply. For example, Transport Canada and Environment Canada have vehicle standards and emissions requirements that must also be met. The onus rests with the importer to determine the overall compliance status of the good prior to importing it. For more information about all aspects of vehicle admissibility, refer to [Memorandum D9-1-11: Importation of Used or Second-hand Motor Vehicles](#) and to [Memorandum D19-12-1: Importation of Vehicles](#).

Subject items

Subject vehicle: Definition

7. Subject vehicle means a motor vehicle that

- (a) is designed or adapted primarily to carry individuals on highways and streets
- (b) has a seating capacity of not more than 10 individuals
- (c) has a gross vehicle weight rating, as that term is defined in subsection 2(1) of the *Motor Vehicle Safety Regulations*, that is less than or equal to 3,856 kg
- (d) has a date of manufacture after 2018 and
- (e) is designed to travel with four or more wheels in contact with the ground

8. Examples of subject vehicles include sedans, coupes, hatchbacks, convertibles, sport utility vehicles and light-duty pickup trucks.

Subject vehicle: Exclusions

9. Subject vehicle does not include:

- (a) an ambulance
- (b) a hearse
- (c) a motor vehicle that is clearly marked for policing activities
- (d) a motor vehicle that is clearly marked and equipped for emergency medical response activities or emergency fire response activities
- (e) a recreational vehicle that is designed or adapted to provide temporary residential accommodations, and is equipped with at least four of the following elements
 - cooking facilities

- a refrigerator or ice box
- a self-contained toilet
- a heating or air-conditioning system that can function independently of the vehicle engine
- a potable water supply system that includes a faucet and sink and
- a 110-V to 125-V electric power supply, or a liquefied petroleum gas supply, that can function independently of the vehicle engine

(f) a motor vehicle

- that is registered before September 2022 with a government (refers to any Canadian or foreign government)
- in respect of which possession was transferred to a user of the motor vehicle before September 2022

Subject aircraft: Definition

10. Subject aircraft means an aircraft that is an aeroplane, glider or helicopter, as those terms are defined in subsection 101.01(1) of the *Canadian Aviation Regulations*, that has a date of manufacture after 2018 if the aircraft

- (a) is equipped only with one or more pilot seats and cannot have any other seating configuration
- (b) is equipped only with one or more pilot seats, or is not equipped with any seats, and cannot have a seating configuration, excluding pilot seats, of 40 or greater or
- (c) is equipped with one or more pilot seats and one or more passenger seats and has a seating configuration, excluding pilot seats, of 39 or fewer

Subject aircraft: Exclusions

11. Subject aircraft does not include

- (a) an aircraft that is designed and equipped for military activities
- (b) an aircraft that is equipped for the carriage of goods only
- (c) an aircraft
 - that is registered with a government (refers to any Canadian or foreign government) before September 2022 otherwise than solely for a purpose incidental to its manufacture, offering for sale or transportation and
 - in respect of which a user of the aircraft has possession before September 2022
- (d) a subject vehicle

Vessel and subject vessel: Definitions

12. Vessel means a boat, ship or craft that is designed, or is capable of being used, solely or partly for navigation in, on, through or immediately above water, without regard to the method or lack of propulsion.

13. Subject vessel means a vessel that

- (a) is designed or adapted for leisure, recreation or sport activities and
- (b) has a date of manufacture after 2018

Subject vessel: Exclusions

14. Subject vessel does not include

- (a) a floating home, as defined in subsection 123(1) of the *Excise Tax Act*
- (b) a vessel that is designed and equipped solely for
 - commercially catching, harvesting or transporting fish or other living marine resources or
 - ferrying passengers or vehicles on a fixed schedule between two or more points
- (c) a vessel that has sleeping facilities for more than 100 individuals who are not crew members
 - that is registered with a government (refers to any Canadian or foreign government) before September 2022, otherwise than solely for a purpose incidental to its manufacture, offering for sale or transportation, and
 - in respect of which a user of the vessel has possession before September 2022
- (d) a subject vehicle or a subject aircraft

Tariff classification numbers

15. For tariff classification reference purposes only at time of issuance of this memorandum, a list of goods that may be subject to the luxury tax, accompanied with their respective tariff classification numbers, is found in [Appendix A: Harmonized System reference list - Goods that may be subject to the luxury tax](#) of this memorandum.

Price thresholds, taxable amount and amount of luxury tax

Price thresholds

16. As per Section 9 of the *Select Luxury Items Tax Act*, the price threshold in respect of a subject item is

- (a) in the case of a subject vehicle, \$100,000
- (b) in the case of a subject aircraft, \$100,000
- (c) in the case of a subject vessel, \$250,000

Taxable amount

17. For the purposes of calculating the taxable amount of a subject item at importation, the applicable GST/HST and provincial sales tax to the subject item are not to be taken into account. In addition, any deduction for a trade-in or down payment does not reduce the taxable amount of a subject item for the purposes of determining the applicable luxury tax.

18. The amounts of any duties and taxes (e.g., customs duty, excise tax, etc.), payable in respect of the importation of the subject item, other than the GST/HST and provincial sales tax, have to be included in the taxable amount for the purposes of determining the amount of luxury tax.

19. As per Section 20(2) of the *Select Luxury Items Tax Act*, the taxable amount is A in the formula and B in the formula:

- A is the value of the subject item as it would be determined under sections 48 to 53 of the *Customs Act* (i.e., value for duty) and
- B is any duties and taxes payable related to customs (e.g., under the *Customs Tariff*, the *Excise Tax Act* or the *Special Import Measures Act*, etc.), other than the GST/HST and provincial sales tax.

Amount of luxury tax

20. As per section 34 of the *Select Luxury Items Tax Act*, the amount of luxury tax is calculated at the lesser of

- 20 % of the taxable amount above the relevant price threshold of the subject item
- or
- 10 % of the taxable amount of the subject item

GST/HST and provincial sales tax

21. The GST/HST is applicable to the final value of the subject item (as per the rules set out in the *Excise Tax Act*), inclusive of the amount of luxury tax as calculated above. This final value amount is also referred to as the Value for tax for the Canada Border Services Agency's (CBSA) accounting purposes.

Value for tax equals taxable amount plus amount of luxury tax

22. When a provincial sales tax is applicable, it applies to the value for tax of the subject item.

Duties and taxes payable

23. All applicable duties and taxes related to customs (e.g. under the *Customs Tariff*, the *Excise Tax Act* or the *Special Import Measures Act*, etc.), inclusive of the GST/HST and of the provincial sales tax (if applicable), are payable in respect of the importation of a subject item, in addition to the payable luxury tax.

Illustrative examples

24. Refer to [Appendix B: Examples of calculation of taxable amounts, amounts of luxury tax and GST](#) of this memorandum.

Application framework

Luxury tax payable on importation

25. As per subsection 20 (1) of the *Select Luxury Items Tax Act*, a person that is liable under the *Customs Act* to pay duty on an imported subject item, or that would be so liable if the subject item were subject to duty, must pay tax in respect of the subject item in the amount determined under section 34 (Amount of luxury tax section of this memorandum) if the taxable amount of the subject item exceeds the price threshold in respect of the subject item, unless one of the exceptions mentioned in the Tax not payable on importation : Exceptions section of this memorandum applies.

Application of the *Customs Act*

26. As per subsection 20(4) of the *Select Luxury Items Tax Act*, the luxury tax in respect of a subject item is to be paid and collected under the *Customs Act*. In addition, interest and penalties are to be imposed, calculated, paid and collected under that Act, as if the tax were a customs duty levied on the subject item under the *Customs Tariff*.

Tax not payable on importation: Exceptions

27. Section 21 of the *Select Luxury Items Tax Act* provides exceptions where the luxury tax is not payable on importation of subject items. Such exceptions are:

Registered vendor

28. The luxury tax in respect of a subject item that is imported is not payable if the subject item is imported by a registered vendor in respect of that type of subject item.

Written agreement for the sale prior to January 2022

29. The luxury tax will not apply to the importation of a subject item that has a taxable amount above the price threshold where a purchaser and a vendor have entered into a written agreement for the sale of the subject item before January 2022 in the course of the vendor's business of selling that type of subject item. This provision is legislated by paragraph 135(4) (b) of the *Budget Implementation Act, 2022, No. 1*.

Previously registered vehicles

30. The luxury tax in respect of a subject vehicle that is imported is not payable if the subject vehicle has been registered with the Government of Canada or a province before the importation unless

- (a) the registration was done in connection with the importation and
- (b) the subject vehicle has never otherwise been registered with the Government of Canada or a province

Certain police and military vehicles

31. The luxury tax in respect of a subject vehicle that is imported is not payable if

- (a) the subject vehicle is equipped for policing activities and imported by a police authority or a military authority or
- (b) the subject vehicle is equipped for military activities and imported by a military authority

Tax certificate

32. The luxury tax in respect of a subject aircraft or subject vessel is not payable if a tax certificate issued by the Canada Revenue Agency in respect of the subject aircraft or subject vessel is in effect in accordance with section 37 of the *Select Luxury Items Tax Act* at the time at which the tax would become payable in the absence of subsection 21(4) of the *Select Luxury Items Tax Act*.

Special import certificate

33. The luxury tax under section 20 of the *Select Luxury Items Tax Act* in respect of a subject aircraft or subject vessel (other than a select subject vessel) that is imported is not payable if, at the time at which the tax would become payable in the absence of subsection 21(5), a special import certificate issued by the CRA in respect of the importation is in effect in accordance with section 38 of that Act.

Note: Select subject vessel means a subject vessel that is equipped with a bed, bunk, berth or similar sleeping amenity.

34. For example, foreign businesses operating their corporate jet in Canada must obtain this special import certificate prior to importation if they don't meet the conditions set out in heading 98.01 of the schedule to the *Customs Tariff*.

Special cases

35. The luxury tax in respect of a subject item that is imported is not payable if

- (a) the subject item is classified under heading No. 98.01 or tariff item No. 9802.00.00 or 9803.00.00 of the schedule to the *Customs Tariff*, to the extent that the subject item is not subject to duty under that Act
- (b) the subject item is imported for the sole purpose of maintenance, overhaul or repair of the subject item in Canada and
 - neither title to, nor beneficial use of, the subject item is intended to pass, or passes, to a person in Canada while the subject item is in Canada and
 - the subject item is exported as soon after the maintenance, overhaul or repair is completed as is reasonable having regard to the circumstances surrounding the importation and, where applicable, to the normal business practice of the importer
- (c) it is the case that
 - the subject item is a foreign-based conveyance
 - the importation of the subject item was non-taxable by reason of the reference to heading No. 98.01 of the schedule to the *Customs Tariff* in paragraph (a) but the subject item is diverted solely for maintenance, overhaul or repair in Canada
 - neither title to, nor beneficial use of, the subject item is intended to pass, or passes, to a person in Canada while the subject item is in Canada and
 - the subject item is exported as soon after the maintenance, overhaul or repair is completed as is reasonable having regard to the circumstances surrounding the importation and, where applicable, to the normal business practice of the importer
- (d) the subject item is a subject vessel imported in circumstances where customs duties have been removed under subsection 7(1) of the *Vessel Duties Reduction or Removal Regulations*

- (e) the subject item is a subject vehicle that is imported temporarily by an individual resident in Canada and
- the subject item was last provided in the course of a vehicle rental business to the individual by way of lease, licence or similar arrangement under which continuous possession or use of the subject item is provided for a period of less than 180 days
 - immediately before the importation, the individual was outside Canada for an uninterrupted period of at least 48 hours and
 - the subject item is exported within 30 days after the importation

(f) the subject item would be classified under heading No. 98.02 of the schedule to the *Customs Tariff* to the extent that the subject item would not be subject to duty under that Act if the definition conveyance in section 2 of the *Temporary Importation of Conveyances by Residents of Canada Regulations* were read as follows:

Conveyance means any vehicle, aircraft, water-borne craft or other contrivance that is used to move persons or goods.

Note: as subject vessels cannot be classified under heading No. 98.02 of the schedule to the *Customs Tariff*, in this specific situation, all other applicable duties and taxes remain payable in full. The only relief provided is from the luxury tax.

36. For more information on registered vendors, refer to Registration Under the *Select Luxury Items Tax Act* and for more information on the tax certificate and the special import certificate, refer to Luxury tax - Services and information, at the links provided in the Related links section of this memorandum.

Temporary importation under tariff item No. 9993.00.00

37. Subject vehicles and subject aircraft when imported temporarily under tariff Item No. 9993.00.00 of the schedule to the *Customs Tariff* may be relieved of the luxury tax under certain circumstances when they qualify as a special case in the section Special cases above.

38. A subject vessel imported for storage and/or repair under tariff Item No. 9993.00.00 of the schedule to the *Customs Tariff* for 12 months may be granted an additional 12 months under tariff item No. 9993.00.00 for the relief of the GST/HST at a rate of 1/120 under section 7(2) of the *Vessel Duties Reduction or Removal Regulations* and may also be subject to additional administrative requirements, including additional documentation. However, no extension of tax deferral is permitted regarding the luxury tax; this tax on the value of the vessel determined at the time of importation becomes payable immediately after 12 months. These vessels must be documented on a Commercial Accounting Declaration (CAD).

39. For more information, refer to [Memorandum D8-1-1: Administration of Temporary Importation \(Tariff Item No. 9993.00.00\) Regulations](#).

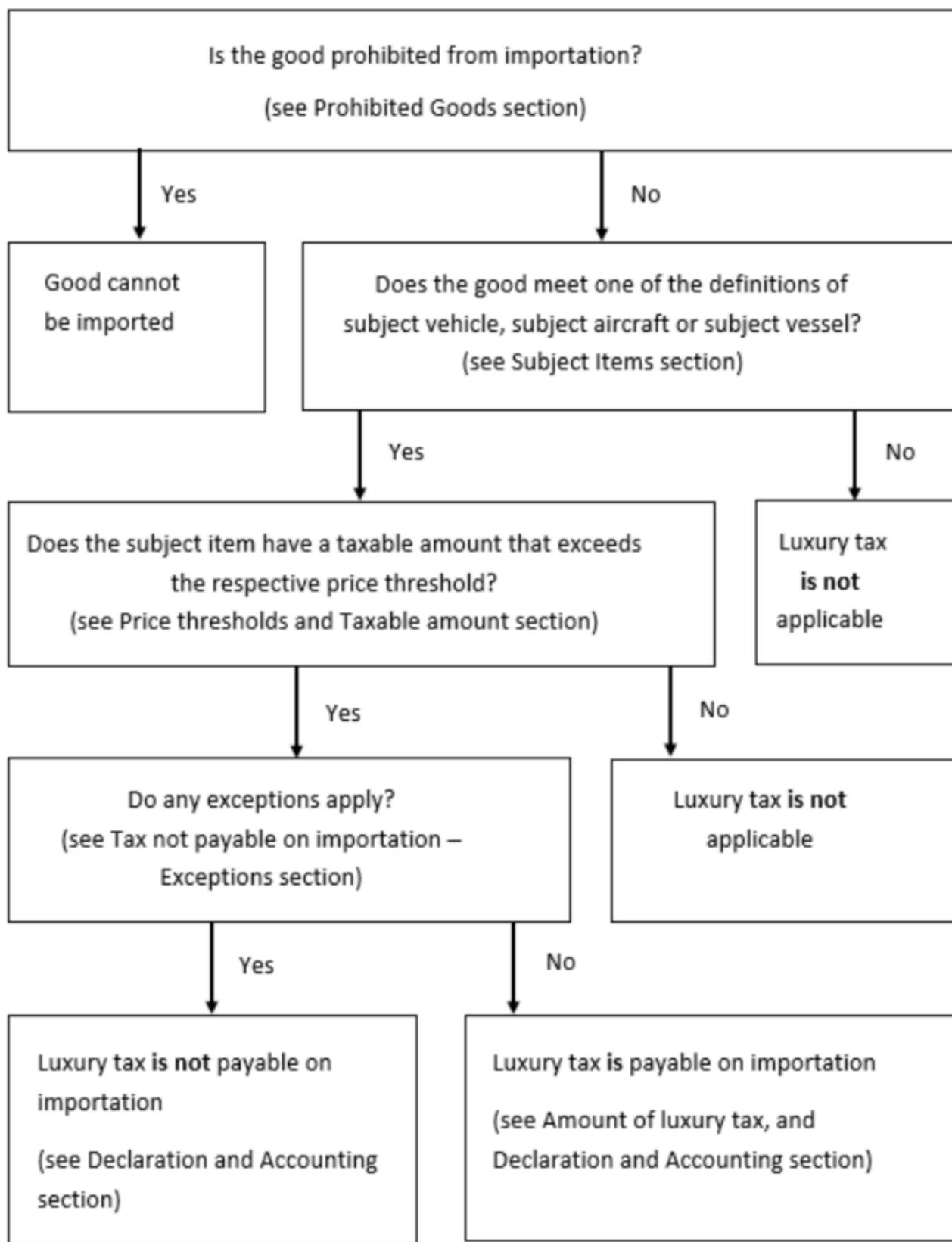
Supporting documents: Requirements

40. The CBSA may require supporting documentation for the importation of a subject item meeting conditions from one of the exceptions mentioned above. Such documents may be a proof of valid registration number under the luxury tax regime, a special import certificate, a tax certificate or a written agreement for the sale prior to January 2022. When the CAD is submitted, the supporting documents must be available for review at the request of the CBSA. For more information, refer to Luxury tax notices at the link found in the Related links section of this memorandum.

41. An importer must apply to the CRA in order to obtain a special import certificate or a tax certificate. For more information, refer to Luxury tax, Services and information at the link found in the Related links section of this memorandum.

42. If, at the time of accounting, the importer's registration status with CRA, the special import certificate, the tax certificate, the written agreement for the sale prior to January 2022, and/or any other required supporting document is not in effect or is not presented to the CBSA when required, in respect of the particular importation, and that the luxury tax would be payable in the absence of such proof, then the luxury tax would apply.

Flow chart: Application of the luxury tax on importation



Text description

Application of the luxury tax on importation

Is the good prohibited from importation? (see Prohibited Goods)

Yes: Good cannot be imported

No: Does the good meet one of the definitions of subject vehicle, subject aircraft or subject vessel? (see Subject Items)

Yes: Does the subject item have a taxable amount that exceeds the respective price threshold? (see Price thresholds and Taxable amount)

No: Luxury Tax is not applicable

Yes: Do any exceptions apply? (see Tax not payable on importation – Exception)

No: Luxury Tax is not applicable

Yes: Luxury Tax is not payable on importation (see Declaration and Accounting)

No: Luxury Tax is payable on importation (see Amount of Luxury tax and Declaration and Accounting)

Registration framework

43. Under section 50 of the *Select Luxury Items Tax Act*, there are certain circumstances where a person is required to register with the CRA under the luxury tax regime. If required to register, a person must register as a registered vendor of the type of subject item that they import. Accordingly, there are three types of registrations available:

- (a) registered vendor of subject vehicles
- (b) registered vendor of subject aircraft
- (c) registered vendor of subject vessels

44. A registered vendor of a type of subject item will be able to import subject items of that type without the luxury tax applying at the time of accounting.

45. For more information, refer to Registration Under the *Select Luxury Items Tax Act* at the link found in the Related links section of this memorandum.

Declaration and accounting

Commercial goods

46. Declaration and accounting of subject items that are commercial goods where the luxury tax is, or is not, payable on importation, is made in the same way and within the same prescribed time that customs duties and other taxes are, or are not, payable.

47. When accounting for subject vehicles, aircraft or vessels, the importer should complete a CAD, using the same method as it would normally when accounting for goods. This includes correctly determining the proper classification number and calculating the regular duties and taxes. If provincial taxes are applicable, this will also be calculated as per the normal procedures.

Luxury tax payable on importation

48. To account for subject vehicles, aircraft or vessels where luxury tax is payable on the importation, the importer must include the appropriate excise tax code in the CAD. This code is based on the goods imported and the method used to calculate the luxury tax when no other excise tax applies. (see table below for a list of applicable excise tax codes when only the luxury tax is payable).

Luxury tax payable	Excise tax code
20% of the taxable amount above \$100,000 of the vehicle	E60
10% of the taxable amount of the vehicle	E61
20% of the taxable amount above \$100,000 of the aircraft	E62
10% of the taxable amount of the aircraft	E63
20% of the taxable amount above \$250,000 of the vessel	E64
10% of the taxable amount of the vessel	E65

49. When other excise taxes apply in addition to the luxury tax on the imported goods, the importer must select the appropriate excise code that reflects the applicable combination of taxes in the CAD (see [Memorandum D18-5-1: Coding Excise and GST Exemption Codes in the CBSA Assessment and Revenue Management \(CARM\) System](#)) for a list of all applicable excise tax codes when the luxury tax is payable in addition to other excise taxes).

50. When, on imported goods, provincial taxes are applicable in addition to the luxury tax, the importer must select the GST code 99 in the GST Code field of the CAD. Then, the importer must enter the taxes owed in the PST/ HST/QST field.

Example 1:

This example corresponds to example 1 shown in Appendix B, with a subject vehicle that has a value for duty of \$395,900 and attracts a 6.1% customs duty rate, a \$4,000 green levy rate, and a \$100 air conditioners excise tax.

Excise tax code

Select an option

- L11 - Luxury Vehicle (10% of the full value of the vehicle) + Green Levy (At least 13 but less than 14 litres per 100 kilometers)
- L12 - Luxury Vehicle (10% of the full value of the vehicle) + Green Levy (At least 14 but less than 15 litres per 100 kilometers)
- L13 - Luxury Vehicle (10% of the full value of the vehicle) + Green Levy (At least 15 but less than 16 litres per 100 kilometers)
- L14 - Luxury Vehicle (10% of the full value of the vehicle) + Green Levy (16 litres or more per 100 kilometers)
- L15 - Luxury Vehicle (10% of the full value of the vehicle) + Air Conditioners Tax
- L16 - Luxury Vehicle (10% of the full value of the vehicle) + Green Levy (At least 13 but - 14 L per 100 km) + AC Tax
- L17 - Luxury Vehicle (10% of the full value of the vehicle) + Green Levy (At least 14 but - 15 L per 100 km) + Air Conditioners Tax
- L18 - Luxury Vehicle (10% of the full value of the vehicle) + Green Levy (At least 15 but - 16 L per 100 km) + Air Conditioners Tax
- L19 - Luxury Vehicle (10% of the full value of the vehicle) + Green Levy (16 litres or more per 100 kilometers) + Air Conditioners Tax**
- L20 - Luxury Vehicle (10% of the full value of the vehicle) + Conditionally non-applicable (exemptions)
- L21 - Registered Vendor + Green Levy (At least 13 but less than 14 litres per 100 kilometers)
- L22 - Registered Vendor + Green Levy (At least 14 but less than 15 litres per 100 kilometers)
- L23 - Registered Vendor + Green Levy (At least 15 but less than 16 litres per 100 kilometers)
- L24 - Registered Vendor + Green Levy (16 litres or more per 100 kilometers)
- L25 - Registered Vendor + Air Conditioners Tax
- L26 - Registered Vendor + Green Levy (At least 13 but less than 14 litres per 100 kilometers) + Air Conditioners Tax
- L27 - Registered Vendor + Green Levy (At least 14 but less than 15 litres per 100 kilometers) + Air Conditioners Tax
- L28 - Registered Vendor + Green Levy (At least 15 but less than 16 litres per 100 kilometers) + Air Conditioners Tax
- L29 - Registered Vendor + Green Levy (16 litres or more per 100 kilometers) + Air Conditioners Tax
- L30 - Registered Vendor + Conditionally non-applicable (exemptions)

Text description

Excise tax code L19 – Luxury vehicle (10% of the full value of the vehicle) plus Green Levy (16 litres or more per 100 kilometers) plus Air Conditioners Tax - was selected.

56 C. Ln N. N. Catég. 00001	57 Previous Line no. (Warehouse) N° de ligne précédente (entrepôt)	58 Classification No. N° de classement 8703.24.00.31	59 Classification Description Description de la classification Motor cars and other motor vehicles	60 Narrative Description Description narrative PASSENGER CAR / VOITURE	61 Quantity Quantité 1.000	62 Unit of Measure Unité de mesure NMB	63 Time Limit Type Types de délai		
64 Extension Date Date de prolongation	65 Country of Origin Pays d'origine AL	66 U.S. State État américain	67 Place of Export Lieu d'exportation AL	68 Place of Export Code State État du code du lieu de l'exportation	69 Direct Shipment Date Date d'expédition directe 2024-02-29	70 Tariff Treatment Traitement tarifaire 002	71 Tariff Code Code tarifaire	72 Time Limit From Limite de temps à partir de	
73 Time Limit to Limite de temps jusqu'à	74 Destination Province Province de destination	75 Value for Currency Conversion Valeur pour conversion des devises 395,900.00	76 Currency Devise CAD	77 Exchange Rate Taux de change 1.00000000	78 Value for Duty Valeur en douane 395,900.00	79 DRP Licence Licence du PED	80 Special Auth OIC Décret d'autorisation spécial	81 Special Authority Permit Permis d'autorisation spéciale	
82 Customs Duty Droits de douane 24,149.90	83 Excise Tax Taxe d'accise 46,514.99	84 Excise Duty Droit d'accise 0.00	85 Surtax Surtaxe 0.00	86 Anti-Dumping Antidumping 0.00	87 Safeguard Sauvegarde 0.00	88 Countervailing Droits compensateurs 0.00	89 Value for Tax Valeur pour taxe 466,564.89	90 GST TPS 23,328.24	91 PST/HST Amount Montant de la TVP/TVH 0.00
92 Provincial Alcohol Tax Taxe provinciale sur l'alcool 0.00	93 Provincial Tobacco Amount Taxe provinciale sur le tabac 0.00	94 Alcohol Percent Pourcentage d'alcool 0	95 Provincial Cannabis Excise Duty Droit provincial sur le cannabis 0.00	96 CBSA Case No. N° de cas de l'ASFC	97 Ruling No. N° de la décision	98 Appeals Case No. N° du cas d'appel	99 Compliance Case No. N° de cas de conformité	100 Line Total Duties & Taxes Total des droits et taxes de la ligne 93,993.13	

Text description

In this example of CAD

In the C. Ln N. field it shows 00001

In the Classification No. field it shows 8703.24.00.31

In the Classification Description field it shows Motor cars and other motor vehicles

In the Narrative Description field it shows Passenger car/ voiture

In the Quantity field it shows 1.00

In the Unit of Measure field it shows NMB

In the Country of Origin field it shows AL

In the Place of Export field it shows AL

In the Direct Shipment Date field it shows 2024-02-29

In the Tariff Treatment field it shows 002

In the Value for Currency Conversion field it shows 395,900.00

In the Currency field it shows CAD

In the Exchange Rate field it shows 1.00000000

In the Value for Duty field it shows 395,900.00

In the Customs Duty field it shows 24,149.90

In the Excise Tax field it shows 46,514.99

In the Excise Duty field it shows 0.00

In the Surtax field it shows 0.00

In the Anti-Dumping field it shows 0.00

In the Safeguard field it shows 0.00

In the Countervailing field it shows 0.00

In the Value for Tax field it shows 466,564.89

In the GST field it shows 23,328.24

In the PST/HST/Amount field it shows 0.00

In the Provincial Alcohol Tax field it shows 0.00

In the Provincial Tobacco Amount field it shows 0.00

In the Alcohol Percent field it shows 0

In the Provincial Cannabis Excise Duty field it shows 0.00

And in the Line Total Duties & Taxes Duties & Taxes field it shows 93,993.13

Example 2

This example corresponds to example 2 shown in Appendix B, with a subject aircraft that has a value for duty of \$800,000. The aircraft is duty free (0%).

Excise tax code

E63 - 10% of the full value of the aircraft

Select an option

- E00 - Pre-CAD Adjustment
- E62 - 20% of the value above \$100,000 of the aircraft
- E63 - 10% of the full value of the aircraft**
- E66 - Registered Vendor
- E67 - Tax Certificate
- E68 - Special Import Certificate
- E69 - Other exceptions that are not covered under codes 66-68
- E87 - Goods exempted per Schedule III of the Excise Tax Act conditions
- E90 - Conditionally non-applicable - exempt goods
- E93 - Excise paid directly to the Canada Revenue Agency (CRA)

Text description

Excise tax code E63 – 10% of the full value of the aircraft - was selected.

56 C. Ln N. N. Catég.	57 Previous Line no. (Warehouse) N° de ligne précédente (entrepôt)	58 Classification No. N° de classement	59 Classification Description Description de la classification	60 Narrative Description Description narrative	61 Quantity Quantité	62 Unit of Measure Unité de mesure	63 Time Limit Type Types de délai		
00001		8802.20.00.00	Other aircraft (for example, helicopter)	AIRCRAFT/AÉRONEF	1.000	NMB			
64 Extension Date Date de prolongation	65 Country of Origin Pays d'origine	66 U.S. State État américain	67 Place of Export Lieu d'exportation	68 Place of Export Code State État du code du lieu de l'exportation	69 Direct Shipment Date Date d'expédition directe	70 Tariff Treatment Traitement tarifaire	71 Tariff Code Code tarifaire	72 Time Limit From Limite de temps à partir de	
	AL		AL		2024-02-29	002			
73 Time Limit to Limite de temps jusqu'à	74 Destination Province Province de destination	75 Value for Currency Conversion Valeur pour conversion des devises	76 Currency Devise	77 Exchange Rate Taux de change	78 Value for Duty Valeur en douane	79 DRP Licence Licence du PED	80 Special Auth OIC Décret d'autorisation spécial	81 Special Authority Permit Permis d'autorisation spéciale	
		800,000.00	CAD	1.00000000	800,000.00				
82 Customs Duty Droits de douane	83 Excise Tax Taxe d'accise	84 Excise Duty Droit d'accise	85 Surtax Surtaxe	86 Anti-Dumping Antidumping	87 Safeguard Sauvegarde	88 Countervailing Droits compensateurs	89 Value for Tax Valeur pour taxe	90 GST TPS	91 PST/HST Amount Montant de la TVP/TVH
0.00	80,000.00	0.00	0.00	0.00	0.00	0.00	880,000.00	44,000.00	0.00
92 Provincial Alcohol Tax Taxe provinciale sur l'alcool	93 Provincial Tobacco Amount Taxe provinciale sur le tabac	94 Alcohol Percent Pourcentage d'alcool	95 Provincial Cannabis Excise Duty Droit provincial sur le cannabis	96 CBSA Case No. N° de cas de l'ASFC	97 Ruling No. N° de la décision	98 Appeals Case No. N° du cas d'appel	99 Compliance Case No. N° de cas de conformité	100 Line Total Duties & Taxes Total des droits et taxes de la ligne	
0.00	0.00	0	0.00					124,000.00	

Text description

In this example of CAD

In the C. Ln N. field it shows 00001

In the Classification No field it shows 8802.20.00.00

In the Classification Description field it shows Other aircraft (for example, helicopter)

In the Narrative Description field it shows Aircraft/ Aéronef

In the Quantity field it shows 1.00

In the Unit of Measure field it shows NMB

In the Country of Origin field it shows AL

In the Place of Export field it shows AL

In the Direct Shipment Date field it shows 2024-02-29

In the Tariff Treatment field it shows 002

In the Value for Currency Conversion field it shows 800,000.00

In the Currency field it shows CAD

In the Exchange Rate field it shows 1.00000000

In the Value for Duty field it shows 800,000.00

In the Customs Duty field it shows 0.00

In the Excise Tax field it shows 80,000.00

In the Excise Duty field it shows 0.00

In the Surtax field it shows 0.00

In the Anti-Dumping field it shows 0.00

In the Safeguard field it shows 0.00

In the Countervailing field it shows 0.00

In the Value for Tax field it shows 880,000.00

In the GST field it shows 44,000.00

In the PST/HST/ Amount field it shows 0.00

In the Provincial Alcohol Tax field it shows 0.00

In the Provincial Tobacco Amount field it shows 0.00

In the Alcohol Percent field it shows 0

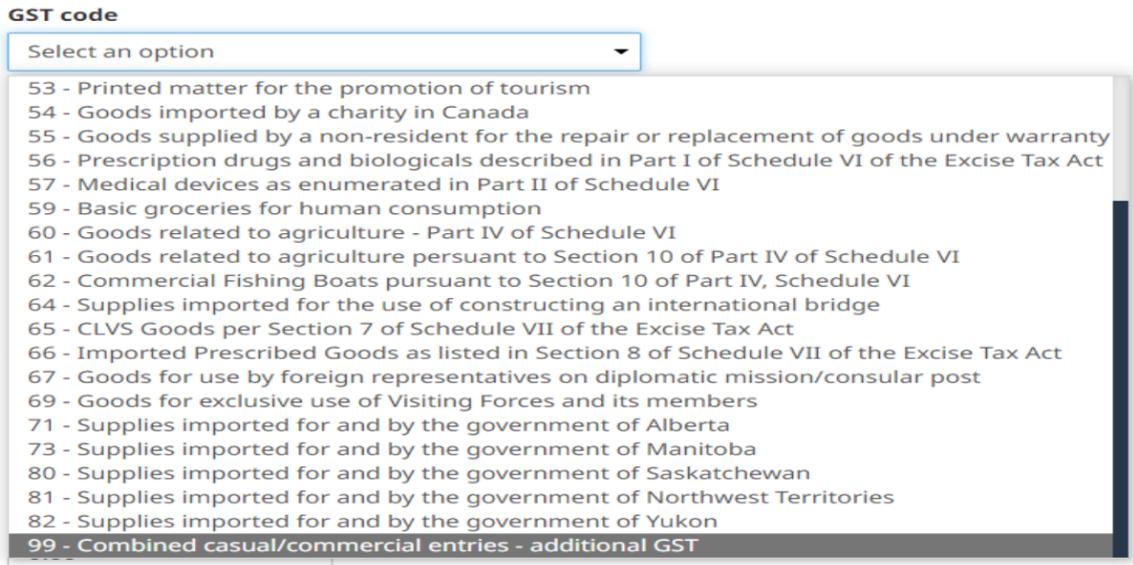
In the Provincial Cannabis Excise Duty field it shows 0.00

And in the Line Total Duties & Taxes field it shows 124,000.00

Example 3:

This example corresponds to the same scenario as Example 1 above. However, the importation is casual and HST is applicable.

In this case, the importer must select the GST code 99 in the GST Code field of the CAD. Then, the importer must enter the taxes owed in the PST / HST / QST field.



Text description

GST code 99 – Combined casual/ commercial entries – additional GST - was selected.

56 C. Ln N. N. Catég.	57 Previous Line no. (Warehouse) N° de ligne précédente (entrepôt)	58 Classification No. N° de classement	59 Classification Description Description de la classification	60 Narrative Description Description narrative	61 Quantity Quantité	62 Unit of Measure Unité de mesure	63 Time Limit Type Types de délai		
00001		8703.24.00.31	Motor cars and other motor vehicles	PASSENGER CAR/VOITURE	1.000	NMB			
64 Extension Date Date de prolongation	65 Country of Origin Pays d'origine	66 U.S. State État américain	67 Place of Export Lieu d'exportation	68 Place of Export Code State État du code du lieu de l'exportation	69 Direct Shipment Date Date d'expédition directe	70 Tariff Treatment Traitement tarifaire	71 Tariff Code Code tarifaire	72 Time Limit From Limite de temps à partir de	
	AL		AL		2024-02-29	002			
73 Time Limit to Limite de temps jusqu'à	74 Destination Province Province de destination	75 Value for Currency Conversion Valeur pour conversion des devises	76 Currency Devise	77 Exchange Rate Taux de change	78 Value for Duty Valeur en douane	79 DRP Licence Licence du PED	80 Special Auth OIC Décret d'autorisation spécial	81 Special Authority Permit Permis d'autorisation spéciale	
	ON	395,900.00	CAD	1.00000000	395,900.00				
82 Customs Duty Droits de douane	83 Excise Tax Taxe d'accise	84 Excise Duty Droit d'accise	85 Surtax Surtaxe	86 Anti-Dumping Antidumping	87 Safeguard Sauvegarde	88 Countervailing Droits compensateurs	89 Value for Tax Valeur pour taxe	90 GST TPS	91 PST/HST Amount Montant de la TVP/TVH
24,149.90	46,514.99	0.00	0.00	0.00	0.00	0.00	466,564.89	0.00	60,653.44
92 Provincial Alcohol Tax Taxe provinciale sur l'alcool	93 Provincial Tobacco Amount Taxe provinciale sur le tabac	94 Alcohol Percent Pourcentage d'alcool	95 Provincial Cannabis Excise Duty Droit provincial sur le cannabis	96 CBSA Case No. N° de cas de l'ASFC	97 Ruling No. N° de la décision	98 Appeals Case No. N° du cas d'appel	99 Compliance Case No. N° de cas de conformité	100 Line Total Duties & Taxes Total des droits et taxes de la ligne	
0.00	0.00	0	0.00					131,318.33	

Text description

In this example of CAD

In the C. Ln N. field it shows 00001

In the Classification No field it shows 8703.24.00.31

In the Classification Tax Description field it shows Motor cars and other motor vehicles

In the Narrative Description field it shows Passenger car/ voiture

In the Quantity field it shows 1.000

In the Unit of Measure field it shows NMB

In the Country of Origin field it shows AL

In the Place of Export field it shows AL

In the Direct Shipment Date field it shows 2024-02-29

In the Tariff Treatment field it shows 002

In the Destination Province field it shows ON

In the Value for Currency Conversion field it shows 395,900.00

In the Currency field it shows CAD

In the Exchange Rate field it shows 1.00000000

In the Value for Duty field it shows 395,900.00

In the Customs Duty field it shows 24,149.90

In the Excise Tax it shows 46,514.99

In the Excise Duty field it shows 0.00

In the Surtax field it shows 0.00

In the Anti-Dumping field it shows 0.00

In the Safeguard field it shows 0.00

In the Countervailing field it shows 0.00

In the Value for Tax field it shows 466,564.89

In the GST field it shows 0.00

In the PST/HST/ Amount field it shows 60,653.44

In the Provincial Alcohol Tax field it shows 0.00

In the Provincial Tobacco Amount field it shows 0.00

In the Alcohol Percent field it shows 0

In the Provincial Cannabis Excise Duty field it shows 0.00

And in the Line Total Duties & Taxes field it shows 131,318.33

Luxury tax not payable on importation

51. To account for subject vehicles, aircraft or vessels where the importer or goods meet one the exception conditions mentioned above, when the luxury tax is not payable on the importation and when the goods are not subject to excise taxes, the importer must select the appropriate excise tax code in the CAD. This code is based on the luxury tax exception being claimed and indicates why the luxury tax is not payable (see table below for a list of applicable excise tax codes when an exception is being claimed).

Luxury tax exception	Excise tax code
Registered Vendor	E66
Tax Certificate	E67
Special Import Certificate	E68
Other exceptions outlined in this memorandum that are not covered under codes 66-68	E69

52. When the luxury tax is not payable on the importation and when other excise taxes are not payable (conditionally not applicable), the importer must select the appropriate excise code that reflects the applicable combination of taxes exceptions in the CAD. This code is based on the exceptions being claimed and indicates why the luxury tax and the other excise taxes are not payable (see table below for a list of applicable excise tax codes when exceptions are being claimed). For a list of all applicable excise tax codes when the luxury tax is not payable in addition to another not payable excise tax), refer to *Memorandum D18-5-1: Coding Excise and GST Exemption Codes in the CBSA Assessment and Revenue Management (CARM) system*.

For Registered Vendor plus Otherwise conditionally non-applicable the importer must select excise tax code L30.

For Other outlined exemptions in this memorandum that are not covered under codes 66 to 68 plus Otherwise conditionally non-applicable the importer must select excise tax code L40.

53. When the luxury tax is not payable on the importation but when other excise taxes are payable, the importer must select the appropriate excise code that reflects the applicable combination of taxes in the CAD. For a list of all applicable excise tax codes when the luxury tax is not payable and when other excise taxes are payable or not, refer to *Memorandum D18-5-1: Coding Excise and GST Exemption Codes in the CBSA Assessment and Revenue Management (CARM) system*.

Example 4

This example corresponds to the same scenario as Example 1, with a subject vehicle that has a value for duty of \$395,900 and attracts a 6.1% customs duty rate, a \$4,000 green levy rate, and a \$100 air conditioners excise tax. In this case however, the importer is a registered vendor and is not subject to the luxury tax at the time of importation.

Excise tax code

Select an option

- L14 - Luxury Vehicle (10% of the full value of the vehicle) + Green Levy (16 litres or more per 100 kilometers)
- L15 - Luxury Vehicle (10% of the full value of the vehicle) + Air Conditioners Tax
- L16 - Luxury Vehicle (10% of the full value of the vehicle) + Green Levy (At least 13 but - 14 L per 100 km) + AC Tax
- L17 - Luxury Vehicle (10% of the full value of the vehicle) + Green Levy (At least 14 but - 15 L per 100 km) + Air Conditioners Tax
- L18 - Luxury Vehicle (10% of the full value of the vehicle) + Green Levy (At least 15 but - 16 L per 100 km) + Air Conditioners Tax
- L19 - Luxury Vehicle (10% of the full value of the vehicle) + Green Levy (16 litres or more per 100 kilometers) + Air Conditioners Tax
- L20 - Luxury Vehicle (10% of the full value of the vehicle) + Conditionally non-applicable (exemptions)
- L21 - Registered Vendor + Green Levy (At least 13 but less than 14 litres per 100 kilometers)
- L22 - Registered Vendor + Green Levy (At least 14 but less than 15 litres per 100 kilometers)
- L23 - Registered Vendor + Green Levy (At least 15 but less than 16 litres per 100 kilometers)
- L24 - Registered Vendor + Green Levy (16 litres or more per 100 kilometers)
- L25 - Registered Vendor + Air Conditioners Tax
- L26 - Registered Vendor + Green Levy (At least 13 but less than 14 litres per 100 kilometers) + Air Conditioners Tax
- L27 - Registered Vendor + Green Levy (At least 14 but less than 15 litres per 100 kilometers) + Air Conditioners Tax
- L28 - Registered Vendor + Green Levy (At least 15 but less than 16 litres per 100 kilometers) + Air Conditioners Tax
- L29 - Registered Vendor + Green Levy (16 litres or more per 100 kilometers) + Air Conditioners Tax**
- L30 - Registered Vendor + Conditionally non-applicable (exemptions)
- L31 - Other Conditions + Green Levy (At least 13 but less than 14 litres per 100 kilometers)
- L32 - Other Conditions + Green Levy (At least 14 but less than 15 litres per 100 kilometers)
- L33 - Other Conditions + Green Levy (At least 15 but less than 16 litres per 100 kilometers)

Text description

Excise tax code L29 – Registered vendor plus Green Levy (16 litres or more per 100 kilometers) plus Air Conditioners Tax - was selected.

56 C. Ln N. N. Catég.	57 Previous Line no. (Warehouse) N° de ligne précédente (entrepôt)	58 Classification No. N° de classement	59 Classification Description Description de la classification	60 Narrative Description Description narrative	61 Quantity Quantité	62 Unit of Measure Unité de mesure	63 Time Limit Type Types de délai		
00001		8703.24.00.31	Motor cars and other motor vehicles	PASSENGER CAR/VOITURE	1.000	NMB			
64 Extension Date Date de prolongation	65 Country of Origin Pays d'origine	66 U.S. State État américain	67 Place of Export Lieu d'exportation	68 Place of Export Code State État du code du lieu de l'exportation	69 Direct Shipment Date Date d'expédition directe	70 Tariff Treatment Traitement tarifaire	71 Tariff Code Code tarifaire	72 Time Limit From Limite de temps à partir de	
	AL		AL		2024-02-29	002			
73 Time Limit to Limite de temps jusqu'à	74 Destination Province Province de destination	75 Value for Currency Conversion Valeur pour conversion des devises	76 Currency Devise	77 Exchange Rate Taux de change	78 Value for Duty Valeur en douane	79 DRP Licence Licence du PED	80 Special Auth OIC Décret d'autorisation spécial	81 Special Authority Permit Permis d'autorisation spéciale	
		395,900.00	CAD	1.00000000	395,900.00				
82 Customs Duty Droits de douane	83 Excise Tax Taxe d'accise	84 Excise Duty Droit d'accise	85 Surtax Surtaxe	86 Anti-Dumping Antidumping	87 Safeguard Sauvegarde	88 Countervailing Droits compensateurs	89 Value for Tax Valeur pour taxe	90 GST TPS	91 PST/HST Amount Montant de la TVP/TVH
24,149.90	4,100.00	0.00	0.00	0.00	0.00	0.00	424,149.90	21,207.50	0.00
92 Provincial Alcohol Tax Taxe provinciale sur l'alcool	93 Provincial Tobacco Amount Taxe provinciale sur le tabac	94 Alcohol Percent Pourcentage d'alcool	95 Provincial Cannabis Excise Duty Droit provincial sur le cannabis	96 CBSA Case No. N° de cas de l'ASFC	97 Ruling No. N° de la décision	98 Appeals Case No. N° du cas d'appel	99 Compliance Case No. N° de cas de conformité	100 Line Total Duties & Taxes Total des droits et taxes de la ligne	
0.00	0.00	0	0.00					49,457.40	

Text description

In this example of CAD

In the C. Ln N. field it shows 00001

In the Classification No field it shows 8703.24.00.31

In the Classification Description field it shows Motor cars and other motor vehicles

In the Narrative Description field it shows Passenger car/ voiture

In the Quantity field it shows 1.000

In the Unit of Measure field it shows NMB

In the Country of Origin field it shows AL

In the Place of Export field it shows AL

In the Direct Shipment Date field it shows 2024-02-29

In the Tariff Treatment Code field it shows 002

In the Value for Currency Conversion field it shows 395,900.00

In the Currency field it shows CAD

In the Exchange Rate field it shows 1.00000000

In the Value for Duty field it shows 395,900.00

In the Customs Duty field it shows 24,149.90

In the Excise Tax field it shows 4,100.00

In the Excise Duty field it shows 0.00

In the Surtax field it shows 0.00

In the Anti-Dumping field it shows 0.00

In the Safeguard field it shows 0.00

In the Countervailing field it shows 0.00

In the Value for Tax field it shows 424,149.90

In the GST field it shows 21,207.50

In the PST/HST/ Amount field it shows 0.00

In the Provincial Alcohol Tax field it shows 0.00

In the Provincial Tobacco Amount field it shows 0.00

In the Alcohol Percent field it shows 0

In the Cannabis PST field it shows 0.00

And in the Commodity Duties & Taxes field it shows 49,457.40

Casual goods (non-commercial)

54. Declaration and accounting of subject items that are casual goods where the luxury tax is, or is not, payable on importation, is made in the same way and within the same prescribed time that customs duties and other taxes are, or are not, payable. Importers should be prepared to present on demand to the officer, any relevant documentation, as would be the case for any other good. Officers will determine if the luxury tax is applicable to the subject item and proceed with the necessary calculations.

55. When the luxury tax has already been paid, importers are encouraged to keep with the subject item any documentation or copy of documentation, receipts and/or certificates, that demonstrates that the luxury tax has been paid.

Special cases

56. The luxury tax is payable in full when the subject item is classified under tariff item Nos. 9806.00.00 and 9807.00.00.

57. The *Select Luxury Items Tax Act* does not affect the establishment of the value for duty. This means that in cases where the subject item cannot be classified under heading Nos. 98.04, 98.05 and 98.16, because the value for duty exceeds the amount specified for these headings, the value for duty is to be reduced in accordance with sections 83, 84 and 85 of the *Customs Tariff*. It is that reduced value that will be used to establish the taxable amount and allow the officer to determine if the subject item is subject to the luxury tax, and if so, the amount of tax to be collected.

Additional information on declaration and accounting

58. For more information regarding the declaration and the accounting for subject items that are commercial goods and subject items that are casual goods (non-commercial), refer to *D Memoranda series: D17 - Accounting and Release Procedures*.

Rulings

59. The CBSA recommends that importers submit an application for a ruling if they have any doubt as to the origin, tariff classification or value for duty of goods. The procedures for obtaining a ruling are outlined in *Memorandum D11-11-1: National Customs Rulings (NCR)*, *Memorandum D11-11-3: Advance Rulings for Tariff Classification*, and *Memorandum D11-4-16: Advance Rulings Under Free Trade Agreements*.

Corrections, refunds, re-determinations and further re-determinations

Commercial goods

60. The obligation to make a correction to the incorrect declaration starts when the importer has reason to believe that a declaration of origin, tariff classification or value for duty is incorrect. The prescribed 90-day period to make a correction pursuant to section 32.2 of the *Customs Act* starts on the date that the importer has specific information that a declaration is incorrect.

61. Corrections to declarations and requests for refunds are to be made on a CAD in the manner under the relevant provisions of the *Customs Act*, in accordance with the procedures outlined in *Memorandum D11-6-6: Reason to Believe and corrections to the declaration of origin, tariff classification or value for duty*, *Memorandum D6-2-3: Refund of Duties*, *Memorandum D6-2-6: Refund of Duties and Taxes on Non-commercial Importations*, and *Memorandum D17-2-1: Adjusting Commercial Accounting Declarations*.

62. Where an amount of luxury tax is to be refunded to the importer or is to be paid to the CBSA, the CBSA will issue a Statement of Adjustment (SOA), which serves as a notice of refund or assessment, in response to an adjustment request, or in response to a review or re-determination initiated by the CBSA.

63. A drawback shall not be granted in respect of the luxury tax.

Casual goods (non-commercial)

64. Where there is overpayment of luxury tax, an importer may submit Form B2G, CBSA Informal Adjustment Request to the appropriate CBSA Casual Refund Centre to request refund of the amount overpaid as per *Memorandum D6-2-6: Refund of Duties and Taxes on Non-commercial Importations*.

Commercial goods and casual goods (non-commercial)

65. The CBSA may re-determine or further re-determine the origin, tariff classification or value for duty on its own initiative or in response to an adjustment request. In so doing, as with customs duties and taxes, the CBSA may assess any undeclared amount of luxury tax.

66. As per subsection 22(1) of the *Select Luxury Items Tax Act*, determination of the tax status of a subject item means a determination, re-determination or further re-determination that tax is, or is not, payable in respect of the subject item.

67. As per subsection 22(2) of the *Select Luxury Items Tax Act*, the determination of the tax status of a subject item is considered to be the determination, re-determination or further re-determination, as the case requires, of the tariff classification of the subject item (subject to subsections 22 (4) to (6) of the *Select Luxury Items Tax Act*, the *Customs Act* (other than subsections 67(2) and (3) and sections 68 and 70) and the regulations made under the Act apply, with any modifications that the circumstances require).

68. As per subsection 22(3) of the *Select Luxury Items Tax Act*, the appraisal, re-appraisal or further re-appraisal of the value of a subject item is considered to be the appraisal, re-appraisal or further re-appraisal, as the case requires, of the value for duty of the subject item (subject to the *Customs Act* and the regulations made under the Act that apply, with any modifications that the circumstances require).

Rebate

69. An importer seeking a rebate for luxury tax paid under sections 39, 40, 41, 42, and 43 of the *Select Luxury Items Tax Act* must submit an application for rebate to the CRA. For more information, refer to *Luxury tax - Services and information* at the link found in the Related links section of this memorandum.

Review

70. Following a determination, re-determination or further re-determination of the origin, tariff classification or value for duty made by the CBSA, an importer may request for a re-determination or further re-determination of the origin, tariff classification, value for duty under the *Customs Act*. For more information, refer to *Memorandum D11-6-7: Request under Section 60 of the Act for a Re-determination, a further Re-determination or a Review by the President of the Canada Border Services Agency*.

71. As per subsection 22(4) of the *Select Luxury Items Tax Act*, in applying the *Customs Act* to a determination of the tax status of a subject item, the references in that Act to the Canadian International Trade Tribunal are referred to the Tax Court of Canada.

Administration and enforcement

Examinations and verifications

72. The burden of proof lies with the importer to

- (a) demonstrate that the goods are not subject to the luxury tax
- (b) demonstrate that the importation is not prohibited and
- (c) provide supporting documents when an exception applies

73. Importations may be subject to examination at the time of importation and to post-release verification for compliance with the origin, tariff classification, value for duty, and marking programs, and any other applicable programs or provisions administered by the CBSA. If non-compliance is encountered by the CBSA, in addition to assessments of any applicable duties and taxes, penalties may be imposed and interest will be assessed, where applicable.

74. For more information, refer to *Memorandum D11-6-5: Interest and Penalty Provisions: Determinations/Re-determinations, Appraisals/Re-appraisals, and Duty Relief*, *Memorandum D22-1-1: Administrative Monetary Penalty System*, and the *Customs Act*.

Penalties under the *Select Luxury Items Tax Act*

75. The *Select Luxury Items Tax Act* provides penalties for different circumstances of non-compliance. The list of such penalties is found under Subdivision H of that Act.

Additional information

76. For more information on the luxury tax program, refer to [Luxury tax](#).

Appendix A: Harmonized System reference list—Goods that may be subject to the luxury tax

For the most up to date classification numbers, refer to the *Customs Tariff* at the link found in the Related links section of this memorandum.

Heading	Tariff class. number	Description
87.02		Motor vehicles for the transport of ten or more persons, including the driver.
	8702.10.20.00	With only compression-ignition internal combustion piston engine (diesel or semi-diesel) for the transport of ten to 15 persons, including the driver.
	8702.20.20.00	With both compression-ignition internal combustion piston engine (diesel or semi-diesel) and electric motor as motors for propulsion for the transport of ten to 15 persons, including the driver.
	8702.30.20.00	With both spark-ignition internal combustion piston engine and electric motor as motors for propulsion for the transport of ten to 15 persons, including the driver.
	8702.40.20.00	With only electric motor for propulsion for the transport of ten to 15 persons, including the driver.
	8702.90.20.00	With other means of propulsion, for the transport of ten to 15 persons, including the driver.

Heading	Tariff class. number	Description
87.03		Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars.
	8703.21.90.10	Passenger cars, including racing cars and station wagons, with only spark-ignition internal combustion piston engine of a cylinder capacity not exceeding 1,000 cc.
	8703.21.90.90	Other vehicles with only spark-ignition internal combustion piston engine of a cylinder capacity not exceeding 1,000 cc
	8703.22.00.11	Used passenger cars, including racing cars and station wagons, with only spark-ignition internal combustion piston engine of a cylinder capacity exceeding 1,000 cc but not exceeding 1,500 cc
	8703.22.00.12	New passenger cars, including racing cars and station wagons, with only spark-ignition internal combustion piston engine of a cylinder capacity exceeding 1,000 cc but not exceeding 1,500 cc
	8703.22.00.97	Other vehicles (including crossovers, sport utility vehicles and passenger vans), used, with only spark-ignition internal combustion piston engine of a cylinder capacity exceeding 1,000 cc but not exceeding 1,500 cc
	8703.22.00.98	Other vehicles (including crossovers, sport utility vehicles and passenger vans), new, with only spark-ignition internal combustion piston engine of a cylinder capacity exceeding 1,000 cc but not exceeding 1,500 cc
	8703.23.00.21	Used passenger cars, including racing cars and station wagons, with only spark-ignition internal combustion piston engine of a cylinder capacity exceeding 1,500 cc but not exceeding 3,000 cc
	8703.23.00.22	New passenger cars, including racing cars and station wagons, with only spark-ignition internal combustion piston engine of a cylinder capacity exceeding 1,500 cc but not exceeding 3,000 cc
	8703.23.00.91	Other vehicles (including crossovers, sport utility vehicles and passenger vans), used, with only spark-ignition internal combustion piston engine of a cylinder capacity exceeding 1,500 cc but not exceeding 3,000 cc
	8703.23.00.92	Other vehicles (including crossovers, sport utility vehicles and passenger vans), new, with only spark-ignition internal combustion piston engine of a cylinder capacity exceeding 1,500 cc but not exceeding 3,000 cc
	8703.24.00.31	Used passenger cars, including racing cars and station wagons, with only spark-ignition internal combustion piston engine of a cylinder capacity exceeding 3,000 cc
	8703.24.00.32	New passenger cars, including racing cars and station wagons, with only spark-ignition internal combustion piston engine of a cylinder capacity exceeding 3,000 cc
	8703.24.00.91	Other vehicles (including crossovers, sport utility vehicles and passenger vans), used, with only spark-ignition internal combustion piston engine of a cylinder capacity exceeding 3,000 cc
	8703.24.00.92	Other vehicles (including crossovers, sport utility vehicles and passenger vans), new, with only spark-ignition internal combustion piston engine of a cylinder capacity exceeding 3,000 cc
	8703.31.00.00	Vehicles with only compression-ignition internal combustion piston engine (diesel or semi-diesel) of a cylinder capacity not exceeding 1,500 cc
	8703.32.00.21	Used passenger cars, including racing cars and station wagons, with only compression-ignition internal combustion piston engine (diesel or semi-diesel) of a cylinder capacity exceeding 1,500 cc but not exceeding 2,500 cc
	8703.32.00.22	New passenger cars, including racing cars and station wagons, with only compression-ignition internal combustion piston engine (diesel or semi-diesel) of a cylinder capacity exceeding 1,500 cc but not exceeding 2,500 cc
	8703.32.00.97	Other vehicles (including crossovers, sport utility vehicles and passenger vans), used, with only compression-ignition internal combustion piston engine (diesel or semi-diesel) of a cylinder capacity exceeding 1,500 cc but not exceeding 2,500 cc
	8703.32.00.98	Other vehicles (including crossovers, sport utility vehicles and passenger vans), new, with only compression-ignition internal combustion piston engine (diesel or semi-diesel) of a cylinder capacity exceeding 1,500 cc but not exceeding 2,500 cc
	8703.33.00.31	Used passenger cars, including racing cars and station wagons, with only compression-ignition internal combustion piston engine (diesel or semi-diesel) of a cylinder capacity exceeding 2,500 cc

	8703.33.00.32	New passenger cars, including racing cars and station wagons, with only compression-ignition internal combustion piston engine (diesel or semi-diesel) of a cylinder capacity exceeding 2,500 cc
	8703.33.00.97	Other vehicles (including crossovers, sport utility vehicles and passenger vans), used, with only compression-ignition internal combustion piston engine (diesel or semi-diesel) of a cylinder capacity exceeding 2,500 cc
	8703.33.00.98	Other vehicles (including crossovers, sport utility vehicles and passenger vans), new, with only compression-ignition internal combustion piston engine (diesel or semi-diesel) of a cylinder capacity exceeding 2,500 cc
	8703.40.10.00	Vehicles with both spark-ignition internal combustion piston engine, of a cylinder capacity not exceeding 1,000 cc, and electric motor as motors for propulsion, other than those capable of being charged by plugging to external source of electric power
	8703.40.90.10	Passenger cars, including racing cars and station wagons, with both spark-ignition internal combustion piston engine and electric motor as motors for propulsion, other than those capable of being charged by plugging to external source of electric power
	8703.40.90.90	Other vehicles (including crossovers, sport utility vehicles and passenger vans), with both spark-ignition internal combustion piston engine and electric motor as motors for propulsion, other than those capable of being charged by plugging to external source of electric power
	8703.50.00.00	Vehicles, with both compression-ignition internal combustion piston engine (diesel or semi-diesel) and electric motor as motors for propulsion, other than those capable of being charged by plugging to external source of electric power
	8703.60.10.00	Vehicles with both spark-ignition internal combustion piston engine, of a cylinder capacity not exceeding 1,000 cc, and electric motor as motors for propulsion, capable of being charged by plugging to external source of electric power
	8703.60.90.10	Passenger cars, including racing cars and station wagons, with both spark-ignition internal combustion piston engine and electric motor as motors for propulsion, capable of being charged by plugging to external source of electric power
	8703.60.90.90	Other vehicles (including crossovers, sport utility vehicles and passenger vans), with both spark-ignition internal combustion piston engine and electric motor as motors for propulsion, capable of being charged by plugging to external source of electric power
	8703.70.00.00	Other vehicles, with both compression-ignition internal combustion piston engine (diesel or semi-diesel) and electric motor as motors for propulsion, capable of being charged by plugging to external source of electric power
	8703.80.00.10	Passenger cars, including racing cars and station wagons, with only electric motor for propulsion
	8703.80.00.90	Other (including crossovers, sport utility vehicles and passenger vans) with only electric motor for propulsion
	8703.90.00.00	Other vehicles

Heading	Tariff class. number	Description
87.04		Motor vehicles for the transport of goods.
	8704.21.90.10	Vehicles with only compression-ignition internal combustion piston engine (diesel or semi-diesel), with a g.v.w. not exceeding 2 tonnes
	8704.21.90.20	Vehicles with only compression-ignition internal combustion piston engine (diesel or semi-diesel), with a g.v.w. exceeding 2 tonnes but not exceeding 3 tonnes
	8704.21.90.30	Vehicles with only compression-ignition internal combustion piston engine (diesel or semi-diesel), with a g.v.w. exceeding 3 tonnes but not exceeding 5 tonnes
	8704.31.00.10	Vehicles with only spark-ignition internal combustion piston engine, with a g.v.w. not exceeding 2.5 tonnes
	8704.31.00.20	Vehicles with only spark-ignition internal combustion piston engine, with a g.v.w. not exceeding 2.5 tonnes but not exceeding 5 tonnes
	8704.41.90.10	Vehicles with both compression-ignition internal combustion piston engine (diesel or semi-diesel) and electric motor as motors for propulsion, with a g.v.w. not exceeding 2 tonnes
	8704.41.90.20	Vehicles with both compression-ignition internal combustion piston engine (diesel or semi-diesel) and electric motor as motors for propulsion, with a g.v.w. exceeding 2 tonnes but not exceeding 3 tonnes
	8704.41.90.30	Vehicles with both compression-ignition internal combustion piston engine (diesel or semi-diesel) and electric motor as motors for propulsion, with a g.v.w. exceeding 3 tonnes but not exceeding 5 tonnes
	8704.51.00.10	Vehicles with both spark-ignition internal combustion piston engine and electric motor as motors for propulsion, with a g.v.w. not exceeding 2.5 tonnes
	8704.51.00.20	Vehicles with both spark-ignition internal combustion piston engine and electric motor as motors for propulsion, with a g.v.w. exceeding 2.5 tonnes but not exceeding 5 tonnes
	8704.60.00.00	Vehicles with only electric motor for propulsion
	8704.90.00.00	Other

Heading	Tariff class. number	Description
88.01		Balloons and dirigibles; gliders, hang gliders and other non-powered aircraft.
	8801.00.90.00	Other

Heading	Tariff class. number	Description
88.02		Other aircraft (for example, helicopters, aeroplanes), except unmanned aircraft of heading 88.06; spacecraft (including satellites) and suborbital and spacecraft launch vehicles.
	8802.11.00.14	New helicopters of an unladen weight not exceeding 998 kg
	8802.11.00.15	New helicopters of an unladen weight exceeding 998 kg but not exceeding 2,000 kg
	8802.11.00.20	Used or rebuilt helicopters of an unladen weight not exceeding 2,000 kg
	8802.12.00.10	New helicopters of an unladen weight exceeding 2,000 kg

	8802.12.00.20	Used or rebuilt helicopters of an unladen weight exceeding 2,000 kg
	8802.20.00.00	Airplanes and other aircraft, of an unladen weight not exceeding 2,000 kg
	8802.30.00.16	New multiple engine airplanes, of an unladen weight exceeding 2,000 kg but not exceeding 4,536 kg
	8802.30.00.17	New multiple engine airplanes, of an unladen weight exceeding 4,536 kg but not exceeding 15,000 kg, turbofan powered
	8802.30.00.19	Other multiple engine airplanes and other aircraft, new, of an unladen weight exceeding 2,000 kg but not exceeding 15,000 kg, new
	8802.30.00.20	Used or rebuilt airplanes and other aircraft, of an unladen weight exceeding 2,000 kg but not exceeding 15,000 kg
	8802.40.00.16	New passenger transports airplanes and other aircraft, of an unladen weight exceeding 15,000 kg
	8802.40.00.19	Other airplanes and other aircraft, new, of an unladen weight exceeding 15,000 kg
	8802.40.00.20	Used or rebuilt airplanes and other aircraft, of an unladen weight exceeding 15,000 kg

Heading	Tariff class. number	Description
89.03		Yachts and other vessels for pleasure or sports; rowing boats and canoes.
	8903.19.00.00	Other Inflatable (including rigid hull inflatable) boats
	8903.21.00.00	Sailboats, other than inflatable, with or without auxiliary motor of a length not exceeding 7.5 m
	8903.22.00.00	Sailboats, other than inflatable, with or without auxiliary motor of a length exceeding 7.5 m but not exceeding 24 m
	8903.23.00.00	Sailboats, other than inflatable, with or without auxiliary motor of a length exceeding 24 m
	8903.31.00.11	Personal watercraft, of an overall length not exceeding 4 m, inboard, water-jet driven, designed to be operated in a sitting, standing or kneeling position, other than inflatable, not including outboard motorboats
	8903.31.00.19	Other inboard motorboats other than inflatable, not including outboard motorboats, of a length not exceeding 7.5 m
	8903.31.00.20	Inboard/outboard motorboats (otherwise known as stern drive) other than inflatable, not including outboard motorboats, of a length not exceeding 7.5 m
	8903.31.00.90	Other motorboats other than inflatable, not including outboard motorboats, of a length not exceeding 7.5 m
	8903.32.00.11	Cabin cruisers, with inboard motor, a length exceeding 7.5 m but not exceeding 24 m
	8903.32.00.19	Other inboard motorboats other than inflatable, not including outboard motorboats, of a length exceeding 7.5 m but not exceeding 24 m
	8903.32.00.20	Inboard/outboard motorboats (otherwise known as stern drive) other than inflatable, not including outboard motorboats, of a length exceeding 7.5 m but not exceeding 24 m
	8903.32.00.90	Other motorboats other than inflatable, not including outboard motorboats, of a length exceeding 7.5 m but not exceeding 24 m
	8903.33.00.11	Cabin cruisers, of inboard, a length exceeding 24 m
	8903.33.00.19	Other inboard motorboats other than inflatable, not including outboard motorboats, of a length exceeding 24 m
	8903.33.00.20	Inboard/outboard motorboats (otherwise known as stern drive) other than inflatable, not including outboard motorboats, of a length exceeding 24 m
	8903.33.00.90	Other motorboats other than inflatable, not including outboard motorboats, of a length exceeding 24 m
	8903.93.10.00	Racing shells of a length not exceeding 7.5 m
	8903.93.90.00	Other vessels for pleasure or sports, and rowing boats and canoes of a length not exceeding 7.5 m
	8903.99.10.00	Other Racing shells (of a length exceeding 7.5 m)
	8903.99.90.21	Outboard motorboats of metal
	8903.99.90.22	Outboard motorboats of reinforced plastics
	8903.99.90.29	Outboard motorboats of other materials
	8903.99.90.90	Other vessels for pleasure or sports, and rowing boats and canoes

Appendix B: Examples of calculation of taxable amounts, amounts of luxury tax and GST

Example 1: Imported car (commercial goods)	
Taxes	Amount (\$)
Value for duty (VFD)	395,900
Customs duty (6.1% on VFD)	24,150
Green Levy	4,000
Air conditioners excise tax	100
Taxable amount (for luxury tax purposes)	424,150
(a) Luxury tax @ 10% of taxable amount	42,415
(b) Luxury tax @ 20% of taxable amount above \$100,000	64,830
Luxury tax amount (lesser of (a) and (b))	42,415
Amounts payable : Summary	

Duties and taxes	Amount (\$)
Customs duties	24,150
Green Levy	4,000
Air conditioners excise tax	100
Luxury tax amount	42,415
Sub-total (value for tax)	466,565
GST	23,328
Total amount of duties and taxes	93,993

Example 2: Imported aircraft (commercial goods)	
Taxes	Amount (\$)
Value for duty	800,000
Customs duty (0% on VFD – aircraft are duty-free)	0
Taxable amount (for luxury tax purposes)	800,000
(a) Luxury tax @ 10% of taxable amount	80,000
(b) Luxury tax @ 20% of taxable amount above \$100,000	140,000
Luxury tax amount (lesser of (a) and (b))	80,000

Amounts payable : Summary	
Duties and taxes	Amount (\$)
Customs duties	0
Luxury tax amount	80,000
Sub-total (value for tax)	880,000
GST	44,000
Total amount of taxes and duties	124,000

Casual goods

Note: While included in the casual goods examples for clarity sake, it is not necessary to calculate using both methods. If the taxable amount is less than twice the price threshold, just calculating Method A is sufficient. If the taxable amount is more than twice the price threshold amount, just calculating Method B is sufficient. If the taxable amount is exactly twice the price threshold amount, either method will return the same result.

Example 3: Subject vehicle (casual goods)

Subject vehicle's value for duty is \$100,500. The importer is a resident of Canada who is returning after an absence of 48 hours or more. As the only reason the vehicle cannot be classified under tariff item No. 9804.10.00 is that the value for duty exceeds the \$800 exemption, by application of section 83 of the *Customs Tariff*, the value for duty is reduced by \$800 and the vehicle is classified under its own tariff item in chapter 87.

The vehicle's origin is Italy, tariff treatment is Canada–European Union Tariff (CEUT). For the purposes of this example, the tariff classification number is 8703.24.00.32 and the duty rate is 1.5% and the vehicle is equipped with an air conditioner unit.

In order to determine the value of item **A** for the purposes of establishing the taxable amount the calculation would be:

Value for duty - \$100,500
 Minus s. 83 reduction - \$800
 Total A - \$99,700

For item **B** the calculation would be:

Customs duty - \$99,700 times 1.5% equals \$1,495.50
 Excise Duty on air conditioner unit - \$100
 Total B - \$1,595.50

The taxable amount for this subject vehicle is:

A \$99,700 plus B \$1,595.50 equals 101,295.50

As the taxable amount \$101,295.50 exceeds the price threshold of \$100,000 for subject vehicles, this subject vehicle is subject to the luxury tax.

To determine the applicable luxury tax amount, calculate the luxury tax using Method A and B below:

Method A (luxury tax amount at 10% of taxable amount):

A \$101,295.50 times B 10% equals \$10,129.55

Method B (luxury tax amount at 20% of taxable amount above \$100,000):

(C \$101,295.50 minus D \$100,000) times E 20% equals \$259.10

C minus D equals \$1,295.50

The lesser amount of the two methods is method B at \$259.10, this would be the amount of luxury tax to be collected.

Example 4: Subject vehicle—casual goods

A former resident returns to Canada to re-establish residence after an absence of more than a year. The importer imports a subject vehicle with a value for duty of \$105,000. The vehicle's origin is US and the tariff treatment is the United States Tariff (UST). The vehicle is equipped with an air conditioner unit.

As the only reason why the vehicle cannot be classified under tariff item No. 9805.00.00 is because the value exceeds \$10,000, section 84 of the *Customs Tariff* requires that the value of the good be reduced by \$10,000 and the vehicle be classified under its own tariff item in chapter 87.

In order to determine the value of item **A** for the purposes of establishing the taxable amount the calculation would be:

Value for duty - \$105,000

Minus s. 84 reduction - \$10,000

Total A - \$95,000

For item **B** the calculation would be:

Customs duty – free

Excise duty on air conditioner unit - \$100

Total B - \$100

The taxable amount for this subject vehicle is:

A \$95,000 plus B \$100 equals \$95,100

As the taxable amount for the subject vehicle does not exceed the price threshold of \$100,000 for subject vehicles, this vehicle is not subject to the luxury tax.

Example 5: Subject vessel—casual goods

A non-resident captains a motorboat from the US into Canada by water. The importer reports the boat and states that the resident owner will arrive at the port from within Canada to account for the boat.

Boat is classified at 8903.32.00.11, origin is Taiwan and the tariff treatment is the Most-Favoured-Nation Tariff (MFN) the customs duty rate is 9.5%. The value for duty is \$5,000,000. The resident does not claim any personal exemption.

In order to establish the taxable amount:

Item A is: Value for duty - \$5,000,000

For item B: Customs duties - \$5,000,000 times 9.5% equals \$475,000

The taxable amount for this subject vessel is:

A \$5,000,000 plus B \$475,000 equals \$5,475,000

As the taxable amount exceeds the price threshold of \$250,000 for subject vessels, this vessel is subject to the luxury tax.

To determine the applicable luxury tax amount, calculate the luxury tax using Method A and B below:

Method A (luxury tax amount at 10% of taxable amount):

A \$5,475,000 times B 10% equals \$547,500

Method B (luxury tax amount at 20% of taxable amount above \$250,000):

(C \$5,475,000 minus D \$250,000) times E 20% equals \$1,045,000

C minus D equals \$5,225,000

The lesser amount of the two methods is method A at \$547,000, this would be the amount of luxury tax to collect.

References

Consult these resources for further information.

Applicable legislation

- [Canadian Aviation Regulations](#)
- [Customs Act](#)
- [Customs Tariff](#)
- [Excise Tax Act](#)
- [Motor Vehicle Safety Regulations](#)
- [Select Luxury Items Tax Act](#)
- [Special Import Measures Act](#)
- [Temporary Importation of Conveyances by Residents of Canada Regulations](#)
- [Value of Imported Goods \(GST/HST\) Regulations](#)
- [Vessel Duties Reduction or Removal Regulations](#)

Related D memoranda

- [Memorandum D6-2-3: Refund of Duties](#)
- [Memorandum D6-2-6: Refund of Duties and Taxes on Non-commercial Importations](#)
- [Memorandum D8-1-1: Administration of Temporary Importation \(Tariff Item No. 9993.00.00\) Regulations](#)
- [Memorandum D9-1-11: Importation of Used or Second-hand Motor Vehicles](#)
- [Memorandum D11-4-16: Advance rulings for origin under Free Trade Agreements](#)
- [Memorandum D11-6-5: Interest and Penalty Provisions: Determinations/Re-determinations, Appraisals/Re-appraisals, and Duty Relief](#)
- [Memorandum D11-6-6: Reason to believe and corrections to the declaration of origin, tariff classification or value for duty](#)
- [Memorandum D11-6-7: Request under Section 60 of the Customs Act for a Re-determination, a further Re-determination or a Review by the President of the Canada Border Services Agency](#)
- [Memorandum D11-11-1: National Customs Rulings](#)
- [Memorandum D11-11-3: Advance rulings for tariff classification](#)
- [Memorandum D17-2-1: The Coding, Submission and Processing of Form B2 Canada Customs Adjustment Request](#)
- [Memorandum D18-5-1: Coding Excise and GST Exemption Codes in the CBSA Assessment and Revenue Management \(CARM\) System](#)
- [Memorandum D19-12-1: Importation of vehicles](#)
- [Memorandum D22-1-1: Administrative Monetary Penalty System](#)

Superseded D memoranda

D18-4-1 dated October 6, 2022

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Trade Policy Division
Trade Programs and Anti-dumping Directorate
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Related links

- [CARM: The new way to assess and pay duties and taxes on imported commercial goods](#)
- [CARM Client Portal: Onboarding documentation](#)
- [B2G - CBSA Informal Adjustment Request](#)
- [Luxury tax notices](#)
- [Registration Under the Select Luxury Items Tax Act](#)
- [Luxury Tax – Services and information](#)