



Ottawa, April 18, 2008

MEMORANDUM D13-11-3

In Brief

**VALUE FOR DUTY OF PRINTED OR LITHOGRAPHED MATTER,
FINANCIAL AND OTHER INSTRUMENTS
(CUSTOMS ACT, SECTIONS 48 TO 53)**

1. This memorandum has been updated to provide more information on the value for duty of financial and other instruments, such as gift certificates, airline tickets, bank notes, stock or share certificates and collectors' items.
2. This memorandum also includes new references to sources of Canada Border Services Agency information.



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VALUE FOR DUTY OF PRINTED OR LITHOGRAPHED MATTER, FINANCIAL AND OTHER INSTRUMENTS (*CUSTOMS ACT*, SECTIONS 48 TO 53)

This memorandum outlines and explains the methods by which the value for duty of printed or lithographed matter, financial and other instruments is determined.

GUIDELINES AND GENERAL INFORMATION

1. For customs valuation purposes, printed or lithographed matter, financial and other instruments include but are not limited to printed envelopes, advertising circulars, folders, catalogues, labels, gift certificates, airline tickets, bank notes, stock or share certificates and collectors' items.
2. If goods are sold for export to Canada to a purchaser in Canada, the value for duty can be determined using the transaction value method (section 48 of the *Customs Act*) provided that the price paid or payable for the goods can be determined and adjusted in accordance with subsection 48(5) of the Act, as necessary, and that the other requirements of section 48 are met.
3. When an adjustment to the price paid or payable under subsection 48(5) is necessary, it should be noted that the value of the goods and services (assists) is to be determined in accordance with section 4 of the Valuation for Duty Regulations (see Memorandum D13-1-1, *Valuation for Duty Regulations*).

For example, a Canadian resident purchases labels for \$500 that were printed in a foreign country. If all of the requirements for using the transaction value method have been met and all adjustments have been taken into consideration in the price paid or payable, the value for duty is \$500. For more information on the transaction value method, see Memorandum D13-4-1, *"Transaction Value" Method of Valuation (Customs Act, Section 48)*.
4. However, the value for duty of certain financial instruments, such as gift certificates, airline tickets, bank notes and stock or share certificates, is limited to the value of the physical medium as well as the associated manufacturing costs. Regardless of whether all requirements for using the transaction value method have been met, the value for duty is negligible since the

acquisition price represents either the value of the future service or the redemption value. In such cases, the residual method value is applicable (section 53 of the *Customs Act*).

For example, a Canadian resident purchases a gift certificate worth \$200 from a foreign vendor and imports it into Canada. The certificate is a tangible substitute for a currency amount in a future transaction, and its value for duty should be based on the cost of materials and any associated costs necessary to manufacture it. If the certificate is used later to pay for goods that are imported into Canada, the value for duty of those goods is based on their selling price. At that time, customs duties (when applicable) and taxes are assessed.

5. In the case of collectors' items, antique currency for example, the goods are valued using the transaction value method based on the price paid or payable for them. If the transaction value method is not applicable, a value for duty based on reliable commercial information or industry publications (for example, insurance statements and numismatists' price guides) may be acceptable to the Canada Border Services Agency (CBSA).
6. Section 48 does not apply when the goods are manufactured by exporters in their own plant for their own use with a portion being shipped to Canada free of charge. If transaction values of identical or similar goods cannot be identified (sections 49 and 50 of the *Customs Act*) and if the goods are not for resale in Canada (deductive value method, section 51), then the computed value method, (section 52) can be applied to determine the value for duty. Section 52 of the *Customs Act* can be applied by taking into account the total cost of production (COP) of the goods plus an amount for profit and general expenses (PGE), which is generally reflected on sales to Canada of goods of the same class or kind (calculated as per paragraphs 52(2)(a) and (b) of the *Customs Act* and section 6 of the Valuation for Duty Regulations) using the following formula:
$$\frac{(\text{COP} + \text{PGE}) \times \text{number of units appraised}}{\text{total units produced}}$$
7. Section 48 of the *Customs Act* does not apply if the goods, when purchased by the exporter, are not for export to Canada, but are shipped to Canada at a later date free of charge. If the transaction values of identical or similar goods cannot be identified (sections 49 and 50), and if the goods are not for resale in Canada (deductive value method,

section 51), and if the exporter has no information concerning the cost of production of the goods (computed value method, section 52), then the residual method (section 53) can be applied to determine the value for duty, taking into account the exporter's cost of acquisition of the goods using the following formula:

$$\frac{\text{total acquisition cost} \times \text{number of units appraised}}{\text{total units purchased by exporter}}$$

8. Additional costs, such as storage and transportation costs, that are not included in the acquisition cost must be added to the value for duty.

9. For more information on the value for duty of printed or lithographed matter, financial and other instruments, contact the CBSA's Border Information Service at **1-800-461-9999** for service in English or **1-800-959-2036** for service in French. Additional information is available from the CBSA's Small and Medium-sized Enterprise Centre Web site at www.cbsa.gc.ca/sme-pme/.

10. Lists of regional client services offices and all other D13 memoranda series are available at no charge on the CBSA's Web site at www.cbsa.gc.ca.

REFERENCES

ISSUING OFFICE – Origin and Valuation Division Trade Programs Directorate	HEADQUARTERS FILE – 79070-4-9
LEGISLATIVE REFERENCES – <i>Customs Act</i> , sections 48 to 53	OTHER REFERENCES – D13-1-1, D13-4-1
SUPERSEDED MEMORANDA “D” – D13-11-3, March 9, 2001	

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

