



Ottawa, May 7, 2009

MEMORANDUM D13-3-8

In Brief

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (*CUSTOMS ACT*, SECTIONS 48 TO 53)

1. This memorandum has been revised to include the new Canada Border Services Agency (CBSA) title, and, does not contain any policy or procedural changes
2. The memorandum also includes new references to sources of the CBSA's information.
3. In the French version of the present Memorandum, the term "Generally Accepted Accounting Principles" has been changed to reflect the term used in the Industry.



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GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (*CUSTOMS ACT*, SECTIONS 48 TO 53)

This Memorandum outlines the manner in which generally accepted accounting principles are to be applied in determining the value for duty.

GUIDELINES AND GENERAL INFORMATION

General Instructions

1. For the purposes of the valuation provisions of the *Customs Act*, “generally accepted accounting principles” in Canada are those that are acceptable for preparation of financial statements under section 44 of the *Canada Business Corporations Regulations* made under the *Canada Business Corporations Act*, or the equivalent authority in the country of production, as the case may be.
2. Section 44 of the *Canada Business Corporations Regulations* reads as follows: The financial statements referred to in paragraph 155(1)(a) of the Act shall, except as otherwise provided by this Part, be prepared in accordance with generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants.
3. “Generally accepted accounting principles in the country of production” may mean such principles as are prescribed in the country of production by or pursuant to applicable legislation or, where a recommendation has been made by an association in the jurisdiction equivalent to the Canadian Institute of Chartered Accountants, it may mean the principles recommended by that association.
4. In the absence of information concerning the accounting principles generally accepted in the country of production, reference will be made to the relevant standards issued by the International Accounting Standards Committee.
5. Subject to paragraph 7, in preparing information for the determination of valuation for duty, the accounting practices or principles usually followed in the preparation of the financial statements or reports of the person concerned should be adhered to, provided these practices or principles are consistent with those generally accepted in Canada or the country of production as the case may be.
6. In cases where financial statements, reports, or records are not audited, the generally accepted accounting principles usually followed in the preparation of audited statements in the branch of industry concerned should be applied.

7. An importer may, if he wishes, furnish a statement by a public accountant familiar with the usual accounting practices of the person concerned, to the effect that the information provided to the Canada Border Services Agency (CBSA) has been prepared in accordance with the relevant accounting principles. On occasion, the CBSA may request that such a statement be provided. In either case, such a statement would be considered as evidence that the requirements of the law have been met.

8. Further guidelines on each of the provisions in the proposed amendments which require the application of generally accepted accounting principles are given below.

Subparagraph 48(5)(a)(iii) of the *Customs Act*

9. The value of the goods and services referred to in subparagraph 48(5)(a)(iii) (assists) will be treated for the determination of valuation for duty purposes as if it were an element of the cost of production of the imported goods. The accounting principles and practices generally accepted in Canada and relevant to the treatment of such costs will serve as the standard for determining whether this value has been apportioned in accordance with generally accepted accounting principles (see Memorandum D13-4-8, *Assists (Customs Act, Section 48)*).

Section 5 of the *Valuation for Duty Regulations*

10. Information pertaining to the amount to be deducted from the price per unit under section 51 (deductive value method) is to be prepared in a manner consistent with accounting principles generally accepted in Canada. The accounting principles and practices relevant to the treatment of expenses arising in connection with the sale of the goods in Canada, including all costs of marketing the goods, should be referred to in this case (see Memorandum D13-7-3, *Deductions From the Price Per Unit (Customs Act, Section 51)*).

Section 6 of the *Valuation for Duty Regulations*

11. In applying section 52, information pertaining to certain of the elements which constitute the cost of production of the imported goods is to be prepared in a manner consistent with the accounting principles generally accepted in the country in which the goods were produced. Information pertaining to the amount to be added to that cost, in respect of profits and general expenses, is to be prepared in a similar manner (see Memorandum D13-8-1, “*Computed Value Method (Customs Act, Section 52)*”).

Costs of Production in the Computed Value Method

12. The elements described in paragraph 52(2)(a) will be treated, for the purposes of section 52, as the costs of producing the goods being appraised. These elements are as follows:

- (a) the costs, charges, and expenses incurred in respect of the materials employed in producing the goods being appraised;
- (b) the costs, charges and expenses of producing, or processing the goods being appraised (that is, direct labour and factory overhead);
- (c) the costs, charges, and expenses referred to in subparagraph 48(5)(a)(ii) (packing costs and expenses), which are incurred in respect of the goods being appraised;
- (d) the value of any assist, as referred to in subparagraph 48(5)(a)(iii), supplied for use in the production of the goods being appraised, whether or not such an assist was provided free or at a reduced charge; and
- (e) the costs, charges, and expenses incurred by the producer in respect of engineering, development work, art work, design work, plans or sketches undertaken in Canada that were supplied directly or indirectly by the purchaser of the goods being appraised for use in connection with the production and sale for export of those goods.

13. For these elements, the relevant accounting principles and practices generally accepted in the country of production are to be followed when preparing information for the determination of valuation for duty purposes.

Profit and General Expenses in the Computed Value Method

14. Subsection 52(3) defines the term “general expenses,” for the purposes of section 52, as meaning the direct and indirect costs, charges, and expenses of producing and selling goods for export, other than the costs, charges, and expenses referred to in paragraph 52(2)(a).

15. Under subsection 6(2) of the *Valuation for Duty Regulations*, information pertaining to the amount of these general expenses and to the amount of profit must be prepared in a manner consistent with the relevant accounting principles generally accepted in the country of production.

ADDITIONAL INFORMATION

16. For more information on the treatment of the subject generally accepted accounting principles of value for duty with respect to customs valuation, 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.

REFERENCES

<p>ISSUING OFFICE – Origin and Valuation Division Trade Programs Directorate Admissibility Branch</p>	<p>HEADQUARTERS FILE – HEG 79070-4-3</p>
<p>LEGISLATIVE REFERENCES – <i>Customs Act</i> subparagraphs 48(5)(a)(ii) and (iii), section 51, paragraph 52(2)(a), and subsection 52(3) <i>Valuation for Duty Regulations</i>, sections 5 and 6 <i>Canada Business Corporations Regulations</i>, section 44</p>	<p>OTHER REFERENCES – D13-4-8, D13-7-3, D13-8-1</p>
<p>SUPERSEDED MEMORANDA “D” – D13-3-8, March 28, 2001</p>	

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

